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SUBMISSION
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Exhibit A Statement of Winnipeg's Expenditures for 1951

" B Comparative statement of Winnipeg's Expenditures 1945-1952

Appendix Discussion of Principles and Fundamentals as a guide
to Provincial-Municipal Relations prepared by
Mr. W. E. Hobbs of Winnipeg, an Authority on Municipal
Tax Structures, in support of the main contentions
made in the Brief. App.1-27

1. INTRODUCTION

The Council of the City of Winnipeg is pleased to avail itself of the opportunity of presenting a Brief to your Committee on the subject of Provincial-Municipal relations, and particularly regarding the unsatisfactory financial conditions under which the City operates as a Municipality, being required by Provincial Statutes to maintain certain services, while given only restricted revenues for the purpose of financing such services.

2. WINNIPEG'S EXPENDITURES

Details of Winnipeg's Expenditures for the year 1951 will be found in Exhibit A and a summary would be as follows:

	<u>Amount</u>	<u>%</u>
(a) Schools	\$ 5,863,800	30
(b) Social Services	2,921,038	15
(c) Police Protection	1,517,920	8
(d) Highways and Bridges	1,860,178	10
	<u>\$12,162,936</u>	<u>63</u>
(e) Other Expenditures	7,290,529	37
	<u>\$19,453,465</u>	<u>100</u>
Total	<u>\$19,453,465</u>	<u>100</u>

The cost of these services has increased considerably since the war, and a comparison of these costs by years since 1945 up to and including the estimate for 1952 is shown in Exhibit B. It will be noted that the School Levy has increased from \$3,428,300.00 in 1945 to \$6,737,050.00 in 1952, or an increase of 99%, while total expenditures have increased from \$11,211,896.00 to \$20,716,219.00, or an increase of 85%.

It is our understanding that one of the main purposes of your Committee is to allocate the responsibility for providing each of the various government services required by the people of Manitoba to the particular government or governments (Provincial or Municipal) to which, in your Committee's judgment, it properly belongs. We have tried to show in the following pages and in the attached appendix prepared by Mr. W.E. Hobbs, why the financial burden of providing the above services should not fall on Winnipeg in the manner and to the extent that it does at present.

On the current basis, the Provincial Government contributes annually to Winnipeg in round figures about \$195,000.00 which amounts to about 1% of the total cost of providing certain social services, and about \$615,000.00 towards school costs representing about 8.3% of the City's total school expenditures. It should be noted that the contribution to social services represents the City's share of a fixed amount of \$300,000.00 set aside by the Government for this purpose, but should these social services or their costs increase, the Provincial contribution will not change under the present arrangement. To illustrate this point, when the Province first made this contribution in 1948 the percentage of contribution to the City's expenditures was 22% as compared with 1% in 1951. In addition, under the Hospital Aid Act, the Province makes a per diem grant of \$2.25 per day direct to teaching hospitals, \$1.50 per day to other hospitals, for all indigent public ward patients, and 50¢ less than those per diem rates for paying public ward patients. The City expects to receive about \$80,000.00 from this source in 1952 on account of the Municipal Hospitals.

It should also be recognized that costs and prices have been rising for some years and are still rising, which not only inflates the amount of the City's normal expenditure, but also increases the pressure of demands upon it. Despite the fact that per diem rates for Public Ward patients were increased from \$3.00 to \$4.00, and to \$4.75 in the case of the three teaching hospitals (General, St. Boniface and Children's) in April 1951, the City is presently dealing with requests from two hospitals for increased assistance. Also, while the 1952 Budget was balanced by increasing the realty tax rate by only one-half mill, no amount was included for possible wage increases. A Conciliation Board has recommended a wage increase of 7½ percent to Civic Employees to date from January 1, 1952 and if this is implemented by Council it will cost in the neighborhood of \$750,000.00 per year.

3. EDUCATION (\$5,863,800.00)

The subject of education and other general services of a personal nature in the same category have been dealt with at length in the Appendix to this submission, and it will be unnecessary to repeat the arguments here. The contention is that these general personal services are not local services at all, that they and all other services affecting municipal finances should be made the subject of close scrutiny and investigation with a view to re-allocation of responsibility, both administrative and financial, to the levels of government properly concerned, particular care being exercised to ensure that where financial responsibility is allocated, the level of government concerned has the financial capacity as well as the right to use tax bases appropriate and equitable for financing the services involved.

The Provincial-Municipal Committee in its investigations of the relations between the Provincial Government and Municipalities, will probably study the responsibilities which the Provincial Government has imposed on its creatures, the municipalities, and the basis of division of responsibilities, both administrative and financial, where there is joint responsibility for services - which is usually the case where general personal services are concerned, these being commonly in the health, welfare and educational fields. The Committee will doubtless be interested in how things are done at present, but perhaps more interested in how things ought to be done in order that services may be what they should, and that the distribution of the burden of their cost upon the taxpayer shall be appropriate and equitable. This would probably lead to consideration of what sources of revenue are available to different levels of government, as, though the public at large pays the taxes in all cases, taxes are levied on different bases which are respectively employed by different levels of government, and it is important that the base adopted to finance each service shall be appropriate and produce an equitable distribution of its costs amongst the taxpayers. Inevitably, the general service, education, will come in for review because it has been so burdensome to municipalities generally, and because municipalities have complained about the methods employed in financing it for many years. In fairness, it should be stated that such complaints are by no means confined to Manitoba.

It may seem strange that Municipal Councils should complain about the financial burden of public education, until it is recalled that School Boards requisition Municipal Councils for their money requirements, and Councils are obliged to raise the full amounts of such requisitions by local school levies on real property. If school budgets and building programmes are high, the Municipal Councils may have to curtail their budgets for municipal purposes, as otherwise the over-all rates for municipal and school purposes would be excessive - hence their concern about the present methods of financing education.

Confronted by the same problem, Alberta is trying the experiment of vesting the authority and responsibilities of the chairman and the Secretary-Treasurer of the School Trustee Board, in the Reeve and Secretary-Treasurer, respectively, of the municipality - this in a few large municipalities only. The effect of this is that a Committee of Council carries out the duties of the School Board. Doubtless the Provincial-Municipal Committee is aware of and will study this experiment. All that need by said further here is that while the Alberta method removes the objection of Councils being compelled to levy for school requirements over which they have no control, and which frequently restrict their own municipal operations, it still does not correct the method of paying for education mainly by local levies on real property, which is the heart of the problem.

Education is a Provincial service, and while there is a measure of local responsibility in administering it, it should be mainly financed by an appropriate general tax (preferably an ability tax)* commonly levied throughout the jurisdiction of this service, that is to say, throughout the Province, the share of the cost raised by local taxation being a relatively small one. The reasons for this are dealt with at length in the Appendix hereto.

This is not the way in which education is financed in Manitoba, however, and though school districts in general receive grants from the Province for education, in the case of Winnipeg much the greater part of the cost of education is raised by local taxation.

This is hard to account for, let alone to justify. It has been argued that Winnipeg is well-to-do, is better able to afford and can easily finance all its services including public education by local taxation, but ~~that~~ view is not in accord with the facts. Winnipeg is a municipal corporation which being responsible for a city of large area and population is constantly confronted with the necessity of providing many costly services for its citizens for the protection of persons and property, for the preservation of health, for education and general welfare, and for essential works - and necessities are referred to here, not luxuries, one of the most costly of them, and one which bears most

*where Federal-Provincial Tax Agreements are in force, as in Manitoba, neither the Province nor its municipalities can levy "ability" taxes, but the Province receives an annual rent for leasing the exclusive right to levy income and other taxes to the Federal Government, which rent presumably could be used for purposes for which the Province might otherwise have levied income taxes, had there been no Tax Agreement.

heavily on local taxation, being education, which is a compulsory service under Provincial Statutes. The burdens of local finance and taxation in Winnipeg are referred to elsewhere in some detail in this submission, and the reasons for the general financial difficulties and rising tax rates of municipal corporations having large populations are dealt with at some length in the Appendix attached hereto. The actual situation seems to be generally misunderstood, so that the size of a city and its business and industrial activities are taken to betoken its affluence as a municipal corporation, whereas large and increasing populations make municipal financial affairs more difficult, and cause local tax rates to rise. This is not peculiar to Winnipeg, but is the common experience of large cities. The increase in essential services or their extension made necessary by increases in population are not matched by corresponding increases in real estate values and assessments, so local tax rates have to go up. This phenomenon is discussed in Addendum "C" to the brief on Municipal Finances and the Federal-Provincial Conference, which was approved by the Canadian Federation of Mayors and Municipalities in 1950, in which Winnipeg conditions are used to illustrate what generally occurs. The conclusion reached in that Addendum was that under the present system of paying for general services (which include public education), on the average each additional home unit adds to the costs and liabilities of the municipality and school district concerned.

The following statistics substantiate the foregoing statements:

Winnipeg's taxable real property assessment has risen from \$178,478,000 in 1945 to \$289,164,000 in 1952 - an increase of 62%; but during the same period the general tax levy (municipal and school) rose from \$6,514,000 in 1945 to \$13,012,000 in 1952 - an increase of 99.7%. The mill rate rose from 36.5 to 44.5 and has increased to 45 mills in 1952 with every prospect of further substantial increases. The real property assessment has been under constant revision to maintain it at fair value level.

Another popular misconception is that because the school rate is also levied on business and industrial properties, which are numerous in Winnipeg, school levies on Winnipeg residences are light. A recent sample check shows that the amount of school tax levied on Winnipeg residences is considerably higher than on similar residences in the suburbs.*

*Owing to special circumstances, in one suburban municipality capital costs for school buildings had to be paid for in the one year investigated, which made the school rate abnormally high. Allowing for this, the school tax is at about the same level as in other suburban municipalities and is lower than in Winnipeg, but cases in this municipality were excluded from the investigation.

To avoid differences in assessments in different municipalities, in making this check information was obtained on the amount of school taxes paid on two classes or value levels of residences: on \$12,000 homes and on \$6,000 homes, these values representing current market values as evidenced by recent sales. Several samples in each class were taken in each municipality as well as in Winnipeg and St. Boniface, and all prices and school taxes were adjusted to the \$12,000 and \$6,000 levels. All of the \$12,000 homes used for this check were built in the last two or three years. In all cases in both classes (with the exception noted *at foot of page 6), the amount of school tax paid in Winnipeg is higher than in adjoining municipal units for the same class and value of property - averaging 55% higher on \$12,000 residences, and 37% higher on \$6,000 residences. #

Education costs impose an excessive burden on local taxation in all of these (and all other) municipalities, but the burden on Winnipeg home owners is greater than in any of the surrounding municipalities, and the burden is still increasing.

Statistics of school costs, enrolments, etc. from 1945 to 1951 are included in the brief presented by the Trustees of School District of Winnipeg No. 1 last January, and there would be little point in repeating them here. Particular note should be made of some items, however: Total annual School District expenditures have increased 76% in this period 1945-51, and the 1952 expenditure is 15.5% over 1951. In times of rising prices and wages, this could hardly be otherwise, but in addition there was an increase in enrolment of 10% during this period. Also large increases in enrolment are anticipated as follows:

1951	32,233 pupils	1956	42,611 pupils
1952	34,699 "	1957	44,308 "
1953	36,742 "	1958	45,737 "
1954	38,745 "	1959	46,953 "
1955	40,686 "	1960	47,999 "

Give consideration of these enrolments with the rising costs of education in Winnipeg in the past seven years, and the gravity of the school financial situation is apparent.

Average cost per pupil:

1945	\$124.77 per pupil	1949	\$183.50 per pupil
1946	150.48 " "	1950	196.40 " "
1947	151.19 " "	1951	204.05 " "
1948	165.51 " "		

#Incidentally the combined general municipal and school levy - exclusive of improvement charges - is also higher in Winnipeg than in surrounding municipal units with the exception noted and one other instance where the levies are closely the same. The Winnipeg combined levy is 29% higher than the average in surrounding municipal units on \$12,000 homes and 18% higher on \$6,000 homes.

One of the costly items is school buildings, as the building programme has been extensive and is likely to continue so. This situation added to the heavy increases in construction costs, have made and continue to make this a very heavy item indeed.

School building and equipment needs and costs bear particularly heavily on growing communities wherever they are, and as these form essential integral parts of the educational system which is a compulsory Provincial service, it would appear reasonable that debt charges for new school buildings or extensions as well as school equipment should be considered as essential items in operating costs. In their own way, school buildings and equipment are just as essential as school teachers, and the costs of providing buildings and operating them are properly included as items in the general costs of education.

Attention is also called to the paucity of annual Provincial Grants for Education to the School District of Winnipeg, which were only 6.3% of total school expenditures in 1951, and were increased to 8.3% in 1952.

This financial problem, though primarily a School matter, seriously affects the City's municipal affairs; it will not solve itself, but grow steadily worse unless the present basis of paying for education is changed. It is argued at length in the Appendix to this submission that real property does not form an equitable base for raising the greater part of the costs of a Province-wide personal service like education, as it does not distribute the burden equitably between the taxpayers - it does not include all who should be taxed, nor does it tax them according to their respective financial abilities to pay. Yet this year, 90.7% of the costs of education in Winnipeg are being met by local real property taxes!

Relief should be given to the municipal corporation of Winnipeg and to all other municipal corporations) by changing the basis of paying for Province-wide general personal services - of which education is one - by shifting the main burden from local taxation to Provincial taxation.

So long as there is local administrative responsibility for education, and in the interests of maintaining our democratic institutions, it is to be hoped that this will continue indefinitely - a small share of the cost of running the local school district should be raised by local taxation. This measure of local financial responsibility is necessary to maintain the interest of the local community in the efficient operation of the school district. A fixed percentage division of costs between Province and City suggests itself as a method which would stimulate and sustain the interests of both governments, which is most desirable. In determining the basis for this fixed percentage division of costs, the Province should assume the larger percentage.

In making this suggestion, it is recognized that the adoption of the fixed percentage division of costs basis would probably involve the Province in drawing up a schedule of standards of education and educational facilities to meet requirements in all parts of the Province. These standards would form the basis for the fixed percentage division of costs between Province and school district in each case, and if any community wanted to exceed them, the additional costs involved would have to be borne locally.

If the suggested change were made, the citizens of Winnipeg would not escape, as they, together with all other people in Manitoba, pay Provincial as well as local taxes; but the municipal corporation of Winnipeg would be considerably relieved, and the better enabled to cope with municipal problems and expenditures that lie ahead. At the same time - and perhaps most important of all - the financial burden of education would be distributed more equitably between those who are taxed to pay for it.

d. SOCIAL SERVICES (\$2,921,038.00)

These services include public welfare, hospital aid and child welfare, also grants to charities and hospitals. The total annual expenditures for all of these services in Winnipeg show a steady increase from 1945 to 1951, the over-all increase in that period being 66%, and a further increase is anticipated in 1952 to a total exceeding \$3,000,000.00. (See figures in Exhibit B)

Public Welfare \$1,069,610.00.

In 1951 the costs of administration of the City Welfare Dept. were \$116,644.00 the heaviest items of expenditure under its supervision being Direct Aid (\$715,810) and Institutional Aid (\$233,628).

Direct Aid consists of assistance given to persons who by means test are shown to be destitute and incapable of supplying their own needs. Relief is given to families, single persons, deserted mothers, unmarried mothers, etc. Where the need is shown, relief is given to employables and unemployables without distinction. This relief is not statutory, and the Province commenced to participate in its costs in 1949, the present contribution being about 17% of the expenditures.

The whole Institutional Aid expenditure is incurred in paying for nursing home accommodation for indigent people whom the City medical officer decides are in need of it. This Aid is not statutory, and the Province also commenced to participate in its costs in 1948.

Other Public Welfare Dept. expenditures are for Medical Administration (\$2,938); Medical Relief (\$10,247); Graves and Burials (\$10,313) - the figures in brackets being total expenditures in 1951.

The City appreciated receiving the present grants but believes that the main welfare services, particularly direct aid and institutional aid, are not soundly financed when mainly paid for by local taxation in any municipality. These are general services of a personal nature, though not features in a Province-wide scheme, but it is incumbent on all municipalities to provide them though no statute compels this. As stated in connection with other general personal services, the City or municipality has no appropriate base by which to distribute the burden of cost of these services on the taxpayers, as this should be an "ability" base, and real property is not one. Moreover, the City of Winnipeg is especially burdened by these services, as the constant trend of people is from the country to the city as was the case during the depression of the 1930's, and changes in economic conditions are felt more immediately in cities. Also, Winnipeg is the only large city for some hundreds of miles in all directions, and consequently this tendency is concentrated on it.

It is recognized that some items such as Graves and Burials are local matters, but it would seem to be more appropriate if the Province and municipalities were made jointly responsible for the larger social service features such as Direct Aid and Institutional Aid, with the municipalities continuing responsible for administration and for financing the lesser part of the costs.

While this would be an innovation in Manitoba, elsewhere in Canada it has been standard practice for some time. British Columbia, Alberta, Saskatchewan and Ontario all divide the costs of social aid between Province and municipalities, the least percentage share assumed by the Province being 50% (Ontario and Saskatchewan), and the greatest 80% (British Columbia).

Unemployment Relief (Debt Charges) (\$459,406.00).

This debt was contracted in the 1930's and early 1940's for relief to unemployed employables, but as relief costs became so heavy, they could only be partly included in annual budgets. At the peak, the outstanding gross debt amounted to over \$1,000,000.00, and even now, 10 years later, the net debt on this account stands at \$2,500,000.00.

The depression throughout Canada, and in fact, throughout the world, was the direct cause of this debt. The unemployed wandered up and down the country in search of work and finally drifted to larger population centres rather than to rural areas, and all large cities suffered as a result. Winnipeg was particularly vulnerable as it is the only large city in a very wide territory. The depression lasted for over a decade, and the City contended at the time that this was no local problem as a large percentage of those needing relief were not their own citizens, but had all the characteristics of a national problem. While there seemed to be a fair measure of agreement on this point, it was some time before the cities were relieved of even part of the load, and even then, in view of the character of the burden, too much was left for the city to carry, which is partly evidenced by the long period taken to pay off the debt on this account, and the size of the debt remaining at this time. For a period of years, the senior governments participated by contributing amounts which changed from time to time, and the Province discontinued general participation in 1944. In 1947, however, the Federal Government gave a rebate to the Province of \$5,440,000.00 to reduce the Provincial Relief Debt, and the Province passed on half of this rebate to its municipalities to reduce their relief debts. Winnipeg's share of the debt cancellation amounted to \$1,984,000.00.

Unfortunately, if a recession or depression were to recur at this time, the same conditions that built up a heavy debt for unemployment relief in Winnipeg still prevail, and the portion of the debt which remains unliquidated would start to grow and become larger and larger. The severity of the conditions might be mitigated somewhat by reason of children's allowances and unemployment insurance, but experience in other relief directions leads to the belief that these would not be sufficient to prevent this from becoming too onerous for a local burden as before.

As mentioned previously, relief of employables should not be considered and ought not to be a local responsibility in circumstances of national emergency such as those experienced in the world-wide depression of the 1930's, and it is urged that consideration be given and steps taken forthwith to establish a system for dealing with unemployment relief that would meet the needs and be equitable for all levels of government, and particularly for large metropolitan centres like Winnipeg. If the Province were to assume a substantial share of the cost of Direct Aid, as suggested at the conclusion of the preceding sub-section, this might go a long way towards preventing the recurrence of a heavy unemployment relief debt, as Direct Aid covers unemployment relief to employables as well as unemployables, but the size of the Provincial share would have a bearing on whether this would be so or not.

Hospitalization and Child Welfare (\$593,003.00).

All administration costs are borne by the city.

Hospital fees for public ward patients cover medically indigent people (i.e. those not able to afford hospital costs - though not necessarily eligible for or on relief). The Hospital Aid Act applies to the Province as a whole, and covers methods of admission to hospital, per diem rates for indigents, settling disputes as to payment of hospital dues, etc. Municipalities are liable to pay the statutory per diem rates for their citizens. These are \$4.75 for Teaching Hospitals (Winnipeg General, Children's and St. Boniface are Teaching Hospitals), and \$4.00 for all other Hospitals. Teaching Hospitals are associated with the University Medical School.

The City is not obligated to pay any other hospital charges for indigents beyond these per diem rates, though it voluntarily adds an extra \$1.00 to the statutory per diem rate in the case of the Winnipeg General Hospital. The City is also paying grants to hospitals of \$35,000.00 per annum, and is pressed from time to time to increase grants to some of the hospitals.

The Teaching Hospital rate is 75¢ higher than for other Hospitals. The question is raised whether this addition is not actually a contribution towards the University, which is hardly in order by adding to indigent hospital fees which have to be met by the City and municipalities. This contribution is considerable, and in 1951 amounted to approximately \$35,000.00. Should not this practice be dropped?

Expenditures on wards of the city - child welfare - cover maintenance of children apprehended by Child Welfare Dept. (Provincial) and Children's Aid Society (private organization financed by Federated Budget) after Court has issued an order

and established municipal responsibility. Costs of maintenance are fixed by the Court and are generally uniform in given periods.

The same observations apply here as were made with respect to Welfare Services. Winnipeg carries a proportionately heavier load than other municipalities because it is a large city, and widely separated from other large cities. It not only has no satisfactory base for financing these hospital services for indigents and for the care of city wards, but in addition it is expected to make heavy grants to Hospitals and is asked to make more and more grants. Grants to Hospitals and Charities in 1951 amounted to \$101,699. The city's actual expenditures for Hospital Aid and Child Welfare in 1951 amounted to \$191,304, the only assistance from the Province being on account of child welfare and represents a very small part of the annual grant given by the Province to the municipalities under the Social Assistance Act.

These also are general personal services which it is felt should be made the joint responsibility of the Province and municipalities with costs divided as in other Provinces as stated in connection with Public Welfare services.

Municipal Hospitals (\$779,019.00).

In addition, the City maintains municipal hospitals, their 1951 costs of operation, including debt charges, amounting to \$779,019, offset by revenues amounting to \$204,000 including \$55,000 grant from the Provincial Government. The large net expenditure on these hospitals is partly accounted for by the fact that the cost of indigent patients and the cost of free treatment to tuberculosis patients are included in this figure.

5. POLICE PROTECTION (\$1,517,920.00)

City police protection costs have increased considerably in recent years which is shown by figures in Exhibit E.

It will be recognized that police duties generally increase with increases in population, but the significant fact here is that the growth in population in the metropolitan area during this period 1945-51 was much greater than within the city itself.

This leads to the observation that police protection in Winnipeg is not a purely local service, as police duties embrace the enforcement of Provincial Statutes as well as of city bylaws, and include violation of the criminal code which is a Federal matter. Two Provincial Statutes particularly absorb a good deal of police time and attention, these being The Highway Traffic Act and The Government Liquor Control Act, and these also figure prominently in the curriculum of the police school of instruction.

The location of Winnipeg, coupled with the fact that it is the largest urban centre in this part of Canada, increase the demands upon the city police force appreciably. Vehicular traffic is heavy, especially at certain hours, and city traffic is augmented considerably by through traffic, by traffic emanating from the suburbs and from the areas beyond, that is to say, from areas outside of the city limits generally. This not only adds to traffic congestion but also adds appreciably to the demands upon the police, and causes earlier installation of traffic signals and controls, than would otherwise be necessary.

Moreover, police duties other than those associated with traffic, are augmented by reason of Winnipeg being a metropolis, and because a population far wider than that of the city itself frequents the city area continuously. In addition to this, Winnipeg as a metropolitan centre is separated by long distances from other similar centres of its size, either in Canada or the U.S.A., and is situated close to the border. These cause a drift of transients to the city with more or less lengthy stop-overs in it, this drift being more marked at some times than others, and composed in part of elements not altogether desirable. The criminal element can more easily hide in large centres of population than in less densely populated areas, and being the only large centre within some hundreds of miles and close to the International Boundary, Winnipeg is used as a place of contact by the criminal element in the whole Middle West, and is the centre of criminal activity in many cases.

It is apparent, therefore, that the scope of the duties of the City Police is considerably widened by the circumstances enumerated, beyond that required for the city population alone, and it is felt that the Provincial Government should recognize this and assume financial responsibility for this additional burden.

This would be no innovation, as the Province is already paying for similar police services rendered outside the City of Winnipeg. For the Province has an arrangement with the Federal Government of many years' standing, whereby the Royal Canadian Mounted Police provide police protection within the scope of Provincial responsibility and jurisdiction, throughout Manitoba. As in the case of the City Police, so also the costs of this service to the Province have increased considerably in recent years.

The City of Toronto receives a subsidy from the Provincial Government amounting to 10% of the total costs of police protection, traffic signals, etc. Unlike Winnipeg, Toronto is not an isolated city, many cities with large populations being relatively close to it, so some of Winnipeg's problems would not be so acute there. As the Ontario Government finances 10% of Toronto's costs of police protection, the Manitoba Government should contribute at least 10% of Winnipeg's costs - if not more. In 1951, this contribution would have been in the neighborhood of \$150,000.00 but if a percentage contribution were agreed upon, decisions would be required regarding the inclusion of pension contributions, etc.

6 HIGHWAYS AND BRIDGES (\$1,860,178.00)

The functions of city streets and thoroughfares are many and varied, the most important as well as the most obvious of these being to accommodate vehicular and other traffic. Streets are usually improved to serve vehicular traffic by grading and surfacing or paving the roadway. The widths of streets, and particularly their pavements, depend on the volumes of traffic that are to use them. Hence a local residential street whose main function is to serve abutting properties, and on which through traffic is negligible, will be relatively narrow with pavement wide enough for two or at most three lanes of traffic; while the main function of a main thoroughfare is to accommodate "through" traffic, the service of abutting properties being incidental and of secondary importance so its pavement must be wide enough to accommodate several lanes of traffic going in both directions. Hence the practice has developed of charging the costs of constructing street paving to those who benefit from it: - on local residential streets, the whole cost is charged to the owners of abutting properties; on main thoroughfares the owners of abutting properties are charged as though on a residential street, and the balance of cost representing extra width and depth of concrete to accommodate "through" traffic which comes from all parts of the city as well as from beyond the City Limits, is charged to the city at large.

This is common practice, and the one followed in the City of Winnipeg. The same method is employed in financing large road systems such as Provincial highway systems. In rural areas in Manitoba the whole costs of construction and maintenance of Provincial Trunk Highways, and two-thirds of the cost of maintaining secondary highways, are borne by the Province. In urban municipalities, the Province may absorb the costs in part of constructing or maintaining roadways and bridges on main or through streets, and has frequently done so, but the City of Winnipeg receives no financial assistance whatever towards the costs of constructing or maintaining improvements on any street or thoroughfare within its boundaries.

Other Provinces give substantial subsidies to urban municipalities, including their larger cities, for the construction or maintenance of improvements on main or through traffic arteries which form integral parts of the Provincial Highway Systems, and also make contributions towards the costs of constructing bridges on such routes.

It is also noteworthy in this connection that the Province of Manitoba has applied to the Federal Government for a substantial contribution towards the cost of paving the Trans-Canada Highway through suburban municipalities adjoining Winnipeg to relieve the latter of expenditures in this connection; and, it is reported that application for assistance towards the cost of constructing this Highway through the City of Winnipeg when designated, will be made

It should not be necessary to argue that Provincial Trunk Highways do run through the City of Winnipeg, as these Highways are designated, and in many instances are marked, with the same Highway numbers inside as outside the city limits. In addition to the city's own traffic, Provincial, extra-Provincial, and "through" traffic in general has to be provided for on city thoroughfares, and in this connection particular attention is drawn to the populations in municipalities adjoining Winnipeg that add a large volume of traffic to the city's thoroughfares every day. This provision consists of paving improvements on thoroughfares and of bridges, which in addition to the city's own traffic needs must accommodate out-of-city traffic. It is submitted that provision for this additional load, over and above Winnipeg's own traffic requirements, should be recognized and subsidized by the Province, as in many other municipalities.

There are 17.9 miles of main thoroughfares in Winnipeg which form parts of, or links in, the Provincial Trunk Highway System. This mileage does not include alternative routes, which however, form integral parts of the city's main thoroughfare system. Nor is the Higgins-Wairn thoroughfare Easterly to Birds Hill Road included, though the eastern part of this has been paved recently at a cost of about \$140,000 to connect with the Provincial improvement of Birds Hill Road. Most, but not all, of these main thoroughfares have permanent pavements.

While 17.9 is the thoroughfare mileage presently included, this should be under more or less constant review, as changes and extensions are bound to occur from time to time. This Mileage does not include the lengths of thoroughfares in bridges.

Origin-destination traffic counts would disclose what percentage of the traffic is generated in Winnipeg and how much comes from outside, but unfortunately such counts have not been taken. So for the purposes of this submission, a unit width of 24 ft. has been adopted as representative of the requirements for out-of-City traffic on the city's main thoroughfares. This seems to be a reasonable unit width in the circumstances, as main trunk highways in the Province generally outside of Winnipeg have at least that width. Moreover, a 24-ft. unit width forms the basis of the application to the Federal Government by the Province for assistance to municipalities in connection with the Trans-Canada Highway.

At current prices, it costs in round figures \$100,000 to build one mile of 24 ft. pavement. The average cost of maintaining one mile of 24 ft. pavement in the city is \$1,300, which does not provide for rebuilding or rehabilitation - and even a concrete pavement will not last forever - and a

complete resurfacing job would be required at least once every 25 years. At today's prices, resurfacing would cost about \$1.00 per sq. yd., or \$14,080 per mile of 24 ft. pavement. This could be provided for on a sinking fund basis (3½%) by an annual charge of \$360 per mile. So the over-all maintenance and major resurfacing charge would be \$1660 per mile per annum - but this includes nothing for interest on or to provide for capital expenditures.

Based on \$100,000 per mile (the present cost of constructing a 24 ft. pavement, which represents the investment) and using the yield (around 4%) from more recent city bond issues, as the rate, an annual charge of \$4,000 should be added to maintenance and resurfacing charges to cover interest on the investment. With the pavement considered permanent, this interest, together with the maintenance and resurfacing charges, should form a satisfactory basis for subsidy.

Thus for each mile of main thoroughfare in Winnipeg which is deemed to form part of the Provincial Trunk Highway System, a reasonable Provincial subsidy based on a 24 ft. roadway, would be made up as follows:

Normal maintenance	\$1,300 per mi.
Major resurfacing - say each 25 yrs., (S.F. 3½%)	360 " "
4% Interest on capital investment - \$100,000 per mile	<u>4,000</u> " "
Annual subsidy	<u>\$5,660</u> per mi.
Total annual subsidy for 17.9 miles of thoroughfare	<u>\$101,300</u>

Bridges

The main thoroughfares in Winnipeg which form parts of the Provincial Trunk Highway System pass over and include six bridges, namely, Redwood, Main, Norwood, Osborne, Louise and Salter. Bridge maintenance is much more costly than road maintenance, and the total annual maintenance and operational cost for these six bridges is \$14,170*. This is for the full bridge width, however, and if it be assumed that the portion of the bridge roadway required for out-of-city traffic is two lanes, the average maintenance cost for these alone would amount to \$5,670 per annum*.

*One-third only of Norwood bridge included.

This annual maintenance charge of \$5,670 for two lanes on the six bridges includes nothing for interest on or to provide for, capital expenditures. The cost today of constructing these six bridges (including only one-third of Norwood bridge) would aggregate \$8,500,000, and if prior to construction it were decided to widen any of these bridges to provide two extra traffic lanes, the additional cost would be close to 40%.

Forty per cent of the replacement cost of these six bridges amounts to \$3,400,000, which represents the capital investment for two bridge traffic-lanes. Four per cent on this investment amounts to \$136,000 - the annual charge to cover interest on this capital investment. This includes nothing for bridge replacements or for further bridges that may be required, which are left for future consideration at the time construction is contemplated.

Thus for the six bridges in Winnipeg deemed to be on routes which form parts of the Provincial Trunk Highway System, a reasonable Provincial subsidy would be made up as follows:

Normal maintenance and operation	\$ 5,670
1% Interest on capital investment - \$3,400,000	<u>136,000</u>
Total annual subsidy for the 6 bridges	<u>\$141,670</u>

Hence the total annual subsidy for both thoroughfares and bridges would amount to \$242,970.

This is a very moderated estimate of the cost to the City of Winnipeg of providing thoroughfare accommodation for out-of-city traffic, at the present time.

It should be recalled here that the Province receives large revenues from Automobile Licenses and the Gasoline Tax, both of these being definitely associated with the operation of motor vehicles and the use of highways and bridges. A large percentage of the revenues from both of these Taxes is derived from Winnipeg.

It has been contended on many occasions and in many places that a substantial portion of the proceeds of these Taxes should be allocated to municipalities for the upkeep of their highways and bridges, and in some places this is done. Winnipeg however, receives no share of these Taxes.

#In this connection it should also be noted that the bridges in Winnipeg are insufficient in number and capacity to meet the traffic demand, and most of them are "bottle necks". Out-of-city traffic is an appreciable factor in making them so. It is apparent that more bridge accommodation is needed and will have to be provided soon - and provision of this kind is costly.

7. WINNIPEG S REVENUES

A summary of the City's revenues for 1951 is shown below:

	<u>Amount</u>	<u>%</u>
Taxes on Real Estate.		
General Property Tax - 44 $\frac{1}{2}$ Mills	\$12,096,737	
Business Tax on Rental Values	2,335,629	
Local Improvement and Special Taxes	982,651	
Greater Winnipeg Water District Tax (Land only)	478,334	
	<u>\$15,893,351</u>	
Payment in lieu of taxes on exempt properties	446,795	
	<u>\$16,340,146</u>	
Less Tax Reserve (mainly Railways)	<u>922,364</u>	
Total Real Estate	\$15,417,782	78.2
Other Revenue:		
Contributions from Utilities	\$1,406,000	
Franchise Taxes	378,128	
Tax Property Sales	450,000	
Prov. Govt. Grant re Social Services	194,274	
Electricity and Gas Taxes	285,777	
Miscellaneous	1,507,750	
Surplus from previous year	<u>64,945</u>	<u>21.8</u>
	<u>\$19,704,956</u>	<u>100.0</u>

It should be noted that revenue from taxes and levies on real estate represents 78.2% of the City's revenue. Of the balance, \$1,406,000.00 was derived from contributions of City-Owned Utilities. It is estimated that the revenue from the latter will be only \$1,063,000.00 in 1952, a reduction of \$343,000.00, and all indications point to still further reductions in the future. The revenue from franchise taxes, mainly the 3% gross earnings tax from the Winnipeg Electric Company, has been a subject of controversy for some time. The revenue from the sale of properties acquired through tax sales is a non-recurring item which has been made possible by and will continue only so long as the City continues to make large capital expenditures for sewer and water improvements to the properties. The Electricity and Gas tax is not permanent, but must be renewed by the Provincial Legislature each year. It will be seen therefore, that, apart from the possibility of a falling off of tax collections, several of the City's other revenues are in a somewhat uncertain and precarious position now. On the basis of the present realty assessment, every \$280,000.00 revenue lost from sources other than the real estate tax must be made up by adding one mill to the municipal rate, thus increasing the burden of realty taxes.

Winnipeg has managed to show a moderate surplus in most recent years but in accordance with the City Charter any surplus is carried forward to the next year and represents part of the next year's revenues. Similarly annual deficits are a first charge on the following year's revenues. The surplus for 1951 amounted to \$251,491.36 and is included in the 1952 estimated revenues. If this were not done the mill rate for 1952 would have increased by about 1 $\frac{1}{2}$ mills instead of $\frac{1}{2}$ mill.

A comparison of assessments, mill rates and realty tax levies from 1945 to 1952 is as follows:

	<u>Realty Assessment</u>	<u>Mill Rate</u>	<u>General Realty Tax</u>
1945	\$178,477,912	36½	\$6,514,441
1946	183,828,815	40	7,353,153
1947	192,196,295	40	7,687,852
1948	218,898,680	40	8,755,947
1949	248,840,765	41½	10,326,892
1950	262,456,295	41½	10,891,936
1951	271,836,782	44½	12,096,737
1952	289,164,205	45	13,012,389

It will be seen that the City's revenue from General Realty Taxes, apart from Local Improvement Taxes, has just about doubled since 1945. At the same time, the mill rate has gone up 8½ mills or 23.3% while a substantial amount of the \$110 million increase in assessments is not due to new construction, but to higher assessment of existing properties.

8. WINNIPEG'S FUNDED DEBT

The City's funded debt has increased considerably since 1945 with resultant increase in debt charges as shown by the following comparative statement:

	<u>Dec. 31</u> <u>1945</u>	<u>Dec. 31</u> <u>1951</u>	<u>Increase</u>
1. Gross Debt	\$35,319,000	\$44,157,000	\$8,838,000
2. Less Utilities	<u>21,812,000</u>	<u>21,191,000</u>	<u>2,379,000</u>
3. Supported by Taxation	<u>\$13,507,000</u>	<u>\$19,966,000</u>	<u>\$6,459,000</u>
4. Net Debt (Gross less Sinking Fund)	\$13,533,000	\$28,759,000	\$15,226,000
5. Less Utilities	<u>8,776,000</u>	<u>15,957,000</u>	<u>7,181,000</u>
6. Supported by Taxation	<u>\$ 4,757,000</u>	<u>\$12,802,000</u>	<u>\$ 8,045,000</u>
7. Annual Debt Charges on above	\$ 2,590,000	\$ 3,528,000	\$ 938,000
8. Less Utilities	<u>1,430,000</u>	<u>1,688,000</u>	<u>258,000</u>
9. Supported by Taxation	<u>\$ 1,160,000</u>	<u>\$ 1,840,000</u>	<u>\$ 680,000</u>

The increase in the figures for Net Debt are very significant. This indicates that in addition to debt charges having increased, the average term of the debt existing at December 31, 1951 is much longer than the term of the debt that existed at December 31, 1945; in other words, the debt charges are payable over a greater number of years. The debt existing at December 31, 1945 consisted mostly of old debt which had only a few years to run while the debt existing at December 31, 1951 consists of mostly new debt with a much longer time to run. The debt issued by the city in the years 1946 to 1951 amounted to about \$28 million dollars which is about three times the amount of debt issued in the six years immediately prior to 1946.

9. PROVINCIAL GOVERNMENT FINANCES

As any additional burdens which the Province may assume to relieve the municipalities must come from the revenues of the Province, an examination of their financial position would seem to be in order. A complete analysis of the finances of the Province is not called for here, and this is not intended to be such, but it is desired to point out to your Committee some interesting figures which may have escaped the notice of your municipal members.

It should be noted that in contrast to the city's statutory method of carrying forward the annual surplus to the revenues of the following year, the Province accumulates its annual surpluses in a separate account. The surplus of operating revenues over expenditures for the fiscal years ended 1945 to 1951 were as follows:

April 30, 1945	\$3,214,067.81
" 1946	4,724,476.01
March 31, 1947 11 months	4,281,601.79
" 1948	4,425,362.36
" 1949	3,447,796.04
" 1950	4,203,064.08
" 1951	<u>1,759,930.39</u>
Total	<u>\$26,056,298.48</u>

The smaller surplus in 1951 is accounted for by an extraneous expenditure for flood costs amounting to \$2,963,950.00 net. It will be seen therefore that the Province has shown an average annual surplus for the last seven years of \$3,700,000.00 in round figures, after providing for nearly \$3,000,000.00 flood costs in 1951. The Comptroller-General's report for the year ended March 31, 1951 gives (on pages 40-45) an analysis of the Current Surplus Account from 1915. This Analysis shows that after apportioning certain amounts to capital account, etc., the balance at March 31, 1951 was \$16,553,632.95. This surplus exists after providing amounts each year, for several years now, to create a "Reserve for War and Post War Emergencies, and for Future Uncontrollable Expenditures, and for Insurance against Future Loss of Revenue", which at March 31, 1951 amounted to \$1,287,973.61. There is also a reserve for deferred revenue amounting to \$3,043,593.29 at March 31, 1951, so in all, the total of the current surplus and reserves amounts to \$23,885,199.85.

Now let us examine the 1952-3 budget of the Province. In connection with capital expenditures, the Provincial Treasurer had this to say in his budget speech of March 26, 1952 (Page 11):

"Let me recapitulate what we are doing in this respect.
 "In the main supply estimates for current expenditures
 "quite apart from the planned expenditure of \$4,943,343.00
 "on highway grants, maintenance and related costs, we have
 "provided that \$4,235,000.00 shall be paid out of current
 "revenue for road construction. The capital supply
 "estimates call for outlays on public buildings and
 "further road expenditures totalling \$3,269,000.00. These
 "two parts of our "dead-weight" highway construction and
 "extension expenditures for the coming year total
 "\$7,504,000.00. The Government proposes to pay for these
 "expenditures out of (a) funds being raised this year as
 "current revenue, and (b) out of the surpluses of current
 "revenues realized in the two years just ending. This
 "procedure will finance a record road-building programme
 "without borrowing or adding a penny to our dead-weight
 "debt. In future years the taxpayers of this Province
 "will be saved from the extra interest and debt redemption
 "charges which otherwise would have been involved. Under
 "borrowed financing, had this \$7.5 million odd been borrowed
 "for twenty-four years, at, say, $\frac{1}{2}\%$ interest, the carrying
 "charges would have amounted to \$7,650,000.00 in interest
 "alone. In addition, the \$7.5 million odd principal would
 "have remained to be repaid upon the maturity of the
 "debentures. Had our present Legislative Building been
 "built on a pay-as-you-go plan the Province would have been
 "saved several millions of dollars in interest alone."

It will be seen therefore, that the revenues of the Province, at rates of taxation which have not to our knowledge increased materially for some years, are such as to enable the Province to provide retirement funds for past dead-weight debt, and at the same time to devote a considerable amount of current revenue to capital expenditures, thus obviating additions to that debt.

This method of financing capital expenditures would undoubtedly be commendable under certain circumstances. However, it would appear that the institution of such a policy while still paying off past debts has only been possible because the Provincial Government has not borne a large enough share of the costs of some of the services - particularly general personal services - for which Winnipeg and all other municipalities share joint responsibility with the Government. It has been stated that the Government would

require to levy a sales tax in order to assist the municipalities financially. Up to this year, when capital expenditures are being paid from current revenues, this would only have been necessary to the extent that assistance was given over and above about four million dollars per year. If assistance to the municipalities would now mean a sales tax the question of course arises: is the sales tax required to aid the municipalities or is it required to enable the Province to pursue the policy of paying for capital expenditures out of revenue while still paying substantial debt charges on existing dead weight debt.

The foregoing information is submitted to your committee to show why this Council believes that the Province is in an enviable position and never more able from a financial point of view to relieve municipalities of burdens which rightfully they should not be called upon to bear.

10. SUMMARY AND CONCLUSION

Page No.

1. Winnipeg's current expenditures have increased from \$11,212,000 in 1945 to \$20,716,000 in 1952, an increase of 85%.	2
11. The School portion of the above expenditures has increased from \$3,428,000 to \$6,737,000 in 1952, an increase of 99%.	2
111. Education costs should be shared on a fixed percentage basis with the Province assuming the larger percentage. A schedule of standards could be determined by the Province for this purpose with expenditures above the standard to be borne by the municipalities.	9
17. Social Services, including Relief to employables and unemployables, Institutional Aid, Hospital and Child Welfare should be the joint responsibility of the Province and the municipality, with the municipalities continuing responsible for administration and for financing the lesser part of the costs.	11
V. The Province should assume at least 10% of the costs of Police Protection in the City.	15
VI. The Province should assume the proportion of the cost of construction and maintenance of highways and bridges represented by that required for traffic generated outside of Winnipeg. Estimated to be about \$243,000.00 per year.	19
VII. Apart from possibility of a falling off of tax collections several of Winnipeg's other revenues are in a somewhat uncertain and precarious position now.	20
VIII. The City's revenue from General Realty Taxes has doubled since 1945.	21
IX. The City's Funded Debt has increased considerably since 1945 with resultant heavier debt charges.	22
X. Province is in enviable financial position and was never more able from a financial point of view to relieve municipalities of burdens which rightfully they should not be called upon to bear.	25

The Council of the City of Winnipeg recognizes in the appointment of the Provincial-Municipal Committee, a sincere desire on the part of the Provincial Government to gain a thorough understanding of the conditions which confine the financial operations and so adversely affect municipalities today, so that effective remedies may be applied.

The Province of Manitoba in its dealings and discussions with the Government of Canada has often taken the lead amongst the Provinces in promoting needed reforms, yet in grappling with the domestic problem of municipal administration and financial difficulty, it can hardly be claimed that Manitoba leads. Other Provinces are far ahead of Manitoba in these respects, and yet much dissatisfaction is still evident in those Provinces, where a general feeling persists that the burden of certain onerous services on municipalities remains too great because Provincial Governments have not assumed an appropriate and fitting share of their costs. This is a concrete indication of how far Manitoba has to go if it is to lead amongst the Provinces in placing municipalities on a firm foundation. Actually, the need is not so much for assistance to municipalities as for the Provincial Government to assume its proper share of the costs of onerous services for which municipalities are jointly responsible with it.

Attached to this submission is an Appendix prepared by Mr. W. E. Hobbs of Winnipeg, an Authority on Municipal Tax Structures, which discusses principles and fundamentals underlying municipal procedures and the relationships between Provincial and Municipal Governments. This Appendix deals with municipal financial matters in general and not specifically with Winnipeg problems. It was prepared as an appendix to form a general background for the City's submission and to enable the submission to be presented in as brief form as possible. The one is the complement of the other and they should be read together to obtain a full understanding of the City's submission.

It is the sincere hope of the Council that the Provincial-Municipal Committee will be sufficiently impressed by the statements and arguments in the submission now presented, and in its Appendix, to recognize the propriety and relevance of the City's main contentions and suggestions. It is realized, however, that while it may not be expedient or even possible to implement all the foregoing suggestions at one time, the desirability of establishing objectives now is obvious if the present grave and difficult municipal situation is to be relieved.

Submitted on behalf of the Council of the City of Winnipeg.

Garnet Coulter

Mayor.

CITY OF WINNIPEG - EXPENDITURES, 1951

		<u>Amount</u>	<u>£</u>
(a) <u>Education</u>		\$ 5,863,800	30
Total, inc. \$377,587 Debt Charges	\$6,326,832		
Less: Government Grants	\$406,881		
Other Revenue	<u>56,151</u>		
	463,032		
	<u>\$5,863,800</u>		
(b) <u>Social Services</u>		2,921,038	15
Public Welfare	\$972,965		
Administration	<u>116,645</u>		
	1,089,610		
Unemp. Relief Debt Charges	459,406		
Hospitalisation & Child Welfare Fees, etc.	593,003		
Hospitals - Municipal	\$720,820		
Debt Charges	<u>58,199</u>		
	779,019		
	<u>\$2,921,038</u>		
(c) <u>Police Protection (inc. \$18,920 Debt Charges)</u>		1,517,920	8
(d) <u>Highways and Bridges (inc. \$239,866 Debt Charges)</u>		1,860,178	10
Total of above items		\$12,162,936	63
(e) <u>Other Municipal Services</u>		7,290,529	37
General Government Expenses	\$ 869,606		
Fire Protection inc. Water Costs	1,833,009		
Parks, Recreation, Libraries, etc.	678,860		
Disease Prevention & Control	334,533		
Refuse Collection & Sewers	850,836		
Pension Fund	355,315		
Taxes on City Owned Properties, etc.	233,141		
Building and Electrical Inspections	89,183		
Mun. Commissioner's Levy	85,795		
Brookside Cemetery	84,017		
Sundry	230,952		
Debt Charges Miscellaneous	\$249,566		
" " Local Improvements	669,724		
" " Water District	<u>478,334</u>		
	1,397,624		
Other Fixed Charges	<u>247,658</u>		
	<u>\$7,290,529</u>		
		<u>\$19,453,465</u>	<u>100</u>
<u>Note re Debt Charges</u>			
Total for all services	\$4,176,073		
Less charged to Utilities	1,624,471		
Balance Distributed above	<u>\$2,551,602</u>		

CITY OF WINNIPEG EXPENDITURES

1945 — 1952

Fiscal Year Ended	Dec. 31, 1945		Dec. 31, 1946		Dec. 31, 1947		Dec. 31, 1948		Dec. 31, 1949		Dec. 31, 1950		Dec. 31, 1951		Estimated Dec. 31, 1952	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
EXPENDITURES:																
(a) Education:																
Total Inc. Debt Charges	\$ 3,643,028		\$ 4,466,919		\$ 4,289,554		\$ 4,765,284		\$ 5,455,982		\$ 5,983,267		\$ 6,326,832		\$ 7,448,870	
Less: Government Grants	198,478		205,443		286,801		408,439		397,914		390,341		406,881		614,700	
	\$ 3,444,550		\$ 4,261,476		\$ 4,002,753		\$ 4,346,845		\$ 5,058,068		\$ 5,542,916		\$ 5,919,951		\$ 6,829,170	
Less: Other Revenue	16,250		16,226		21,003		22,445		40,868		47,716		66,161		92,120	
	\$ 3,428,300	31	\$ 4,245,250	32	\$ 3,981,750	29	\$ 4,324,400	29	\$ 5,017,200	30	\$ 5,495,200	30	\$ 5,853,800	30	\$ 6,737,050	33
(b) Social Services:																
Public Welfare	\$ 462,943		\$ 519,651		\$ 610,369		\$ 765,494		\$ 845,136		\$ 951,481		\$ 972,966		\$ 910,045	
Administration	89,660		98,017		102,582		101,024		110,141		110,384		116,646		125,968	
	\$ 552,603		\$ 612,668		\$ 712,951		\$ 866,518		\$ 955,277		\$ 1,061,816		\$ 1,089,610		\$ 1,036,003	
Unemployment Relief Debt Charges	598,688		598,505		601,797		580,533		463,639		452,074		469,406		416,180	
Hospitalization and Child Welfare Fees	236,419		312,137		356,397		365,976		462,669		606,028		538,003		616,397	
Hospitals—Municipal (Inc. Debt Charges)	329,303		343,909		384,910		462,850		514,772		613,823		779,619		1,004,312	
	\$ 1,761,013	16	\$ 1,867,219	14	\$ 2,066,055	15	\$ 2,275,882	15	\$ 2,347,957	14	\$ 2,583,740	14	\$ 2,921,038	16	\$ 3,072,892	15
(c) Police Protection (Inc. Debt Charges)	\$ 780,194	7	\$ 880,926	7	\$ 1,012,346	7	\$ 1,091,748	7	\$ 1,287,385	8	\$ 1,370,261	7	\$ 1,517,920	8	\$ 1,586,310	7
(d) Highways and Bridges (Inc. Debt Charges)	\$ 916,994	8	\$ 1,193,206	9	\$ 1,296,906	9	\$ 1,422,780	10	\$ 1,759,700	10	\$ 1,749,799	9	\$ 1,860,178	10	\$ 1,732,458	8
Total of above items	\$ 6,886,501	62	\$ 8,186,601	62	\$ 8,346,087	60	\$ 9,114,810	61	\$ 10,412,142	62	\$ 11,148,990	60	\$ 12,162,896	63	\$ 13,118,705	63
(e) Other Municipal Services (Inc. Debt Charges)	\$ 4,328,395	38	\$ 4,970,984	38	\$ 5,614,738	40	\$ 5,942,158	39	\$ 6,829,148	38	\$ 7,293,405	40	\$ 7,290,629	37	\$ 7,897,614	37
Total	\$ 12,211,896	100	\$ 13,187,585	100	\$ 13,969,795	100	\$ 15,056,966	100	\$ 16,741,290	100	\$ 18,442,896	100	\$ 19,463,465	100	\$ 20,716,219	100
DEBT CHARGES																
Total for all Services	\$ 3,592,460		\$ 3,641,822		\$ 3,287,570		\$ 3,427,878		\$ 3,585,171		\$ 4,069,418		\$ 4,176,073		\$ 4,820,201	
Less charged to Utilities	1,628,115		1,607,616		1,409,241		1,402,249		1,550,370		1,716,268		1,624,471		1,843,926	
Balance distributed above	\$ 1,964,345		\$ 1,933,906		\$ 1,828,329		\$ 2,025,129		\$ 2,034,801		\$ 2,353,155		\$ 2,551,602		\$ 2,777,276	
STATISTICS																
Rateable Assessment	\$178,477,912		\$183,828,815		\$192,196,295		\$218,898,680		\$248,840,765		\$262,456,295		\$271,886,782		\$289,164,206	
General Tax Rate—Mills per Dollar	36.50		40.00		40.00		40.00		41.60		41.60		44.60		45.00	
Taxes on Real Estate	\$ 6,514,444		\$ 7,353,153		\$ 7,887,882		\$ 8,765,947		\$ 10,326,892		\$ 10,891,936		\$ 12,096,757		\$ 13,012,389	
Population	229,298		231,414		234,201		231,491		234,561		238,604		239,864		240,000	

OBSERVATIONS
on
PRINCIPLES & FUNDAMENTALS
affecting
MUNICIPAL FINANCIAL AFFAIRS
by
W.E. HOBBS

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Prepared for His Worship the Mayor and the
Aldermen of the Council of the City of Winnipeg
as a background for its submission to
the Provincial-Municipal Committee
appointed by the Provincial Government of
Manitoba

Winnipeg, Manitoba
July 1952

Attached as an Appendix to the Submission of
the City of Winnipeg to the Provincial-Municipal
Committee

August 1952

But no community, whether the nation, the Province or the municipality, can sanction a system of taxation which violates the rules of elementary honesty and fair dealing, without in the long run paying a heavy price for its transgression. Gross inequity inevitably lessens or destroys the productivity of a tax. Witness the "tax delinquency" of Western Canada and the accumulation of arrears of taxes. The same considerations that make it in the interest of a municipality to keep faith with its debenture holders make it also, in the long run if not so immediately, in its interest to observe as far as possible the principle of equity in the treatment of its taxpayers. Here again good morality is ultimately good economy.

A. B. Clark, M.A., F.S.S.
"An Outline of Provincial & Municipal Taxation" (1920)

OBSERVATIONS ON PRINCIPLES & FUNDAMENTALSAFFECTING MUNICIPAL FINANCIAL AFFAIRS

by

W.E. HOBBS,WINNIPEGThe Nature of Municipal Government

There are two constitutional governments in Canada: the Federal, and the Provincial. Both of these are relatively independent or autonomous governments. Municipalities, however, are created by Provincial Governments and enjoy only such autonomy as Provincial Law allows.

The British North America Act assigned municipal affairs and responsibilities to the jurisdiction of Provincial Governments, which in turn have created municipalities and municipal governments, allocating to them such powers and responsibilities as they respectively saw fit. Hence, municipalities are created by Provincial statutes, which also defines their authority and responsibilities, which latter vary appreciably in different Provinces, and with different kinds of municipalities.

Municipalities may be classified according to type as cities, towns, villages, rural municipalities, etc. There are notable differences in the responsibilities and functions of, and demands upon, some of these types. These differences have been recognized, and are generally provided for by variations in the statutory powers and administrative means given to different types of municipalities, so that the generality of matters usually arising in municipal administration in each case can be coped with. Naturally, in a changing world, municipal affairs and needs change also, nor can it be claimed that municipal powers and procedures, as laid down by Provincial statutes, have so far reached perfection. In consequence, statutory provisions affecting municipal authority, administration and responsibility, are under almost continuous review and discussion, and adjustments by way of statutory amendment are frequently called for.

It should be noted particularly that municipalities derive such powers and procedures as are permitted from their respective provincial governments, and that they have no means of prescribing, extending or varying any of these on their own account. If any of their powers, authorities or procedures are deemed inadequate or out-moded, or to produce inequities or hardship, or fail to meet current conditions, or are likely to fail to meet anticipated conditions and requirements, the only recourse for remedies is to the Provincial Government which alone can amend the statutes governing the powers and operations of municipalities. And, as it noted, there is no appeal beyond the Provincial Government.

Hence, in a sense, municipal government is only a partial or limited form of responsible government, as its authority and scope are confined by a permissive framework defined by Provincial Law. The municipal position is akin to that of an agency created by the Provincial Government to administer certain things, though the executives to do these things (aldermen, councillors, etc.) are elected by the local community in each case.

Regardless of how desirous the citizens of a community may be for changes in the municipal charter or statutes, or how urgently they may be needed, the executives (municipal councils) cannot effect such changes - the approach must be made and representations directed to the Provincial Government, requesting that such changes be made; and the Provincial Government is at liberty to grant or to refuse such requests as it sees fit.

A Provincial Government may assign the whole responsibility for certain public duties or services to municipal jurisdiction, or it may retain a measure of responsibility for them itself. The measure of responsibility retained by the Provincial Government may consist of financial or functional control of some features of a service or of full directional control which may be exercised through one of its own ministers or departments, or by means of some body specially appointed for the purpose. A Provincial Government may also require municipalities to perform certain services for other bodies which it has created - as for instance, for Boards of School Trustees - under such conditions as the government may see fit to impose.

Government Responsibilities - Administrative & Financial

Responsibilities of government at any level may be roughly divided into two main classes - administrative and financial. Responsibility may be individual or joint; that is to say, one level of government alone may be responsible for a public duty or service, or two (even three) levels may be jointly responsible for it.

Some services embrace two or more features, one or more of which may be the individual responsibility of one level of government, while the others are the responsibility of other levels of government. For instance, in the field of public health, local sanitation, garbage removal and the like are matters of municipal responsibility, while dealing with venereal and contagious diseases, provision of hospital accommodation, etc. are joint responsibilities of provincial and municipal governments, with federal participation in some instances. Whether certain services should currently be the sole responsibility of municipalities may be open to argument, but as a general statement it is fair to assert that municipal financial problems and difficulties stem from joint responsibility for certain services.

General principles which should govern responsibility for public services may be stated as follows:

- (a) Where one level of government is solely responsible for a public service, it should finance as well as administer it.
- (b) Where administrative responsibility for a public service is divided between two or more levels of government, both or all should bear a share (but not necessarily an equal share) of the cost of financing it.
- (c) Administrative responsibility should not be assigned to any level of government unaccompanied by a measure of financial responsibility *, and conversely, financial responsibility should not be allocated where there is no administrative responsibility.

* See note marked * at foot of Appendix 3

A few illustrations at this point may assist. As an instance of (a): The Federal Government established, and alone administers and finances Children's Allowances. An instance of (b) is given by the original Old Age Pension Scheme, which was established by Federal Government Statute, but is administered by the Provincial Governments in accordance with the provisions of that Statute. The Federal Government provides 75% of all pensions paid; each Provincial Government contributes 25% of all pensions paid within its boundaries, plus the cost of provincial administration of the Scheme (in Manitoba, administration costs about 1% of pensions paid). An instance contravening (c) was afforded when the Provincial Government of Manitoba charged half of its share of the cost of the Federal Old Age Pension Scheme to municipalities, their shares in each case being proportional to their respective equalized assessments, though municipalities had no administrative responsibility whatsoever for this Scheme.* Levies on municipalities for this Scheme were discontinued some three years ago.

Sources of Revenue

It will be recognized that the assignment of financial responsibility for a service to any level of government, involves that level in employing its own sources of revenue to provide its share of the cost. It follows that before assigning financial responsibility for a public service to any level of government, consideration should be given to the nature of the revenue sources of that government, and their appropriateness for paying for such a service, the terminal and fundamental objective being to distribute the burden of cost equitably between taxpayers. These considerations also have a bearing on the amount of financial responsibility (percentage of total cost of the service) that can reasonably and properly be assigned to different levels of government in each case.

Taxes and other imposts may be levied by governments for various reasons and purposes, but in the municipal field, the main reason for local taxes and levies is to pay for local administration as well as for public services and works of one kind or another for which the municipality is individually or jointly responsible.

- * By "financial responsibility" is meant, the responsibility resting on a level of government to raise money to pay for the cost or a part of the cost, of a public service.
- # Generally speaking, levying for the costs of a general personal service such as this on the basis of real property assessments, is inequitable for municipalities and taxpayers.

Equity to the Taxpayer is of Paramount Importance

Equity to the taxpayer is of fundamental importance. Different services require different tax bases to secure equity in the distribution of the burden of their costs, and different levels of government have different sources of revenue (tax bases) at their disposal. The tax base selected for employment in financing such service should be appropriate and equitable - and this selection usually indicates what level of government should bear the main financial responsibility for the service.

Citizens pay taxes to all Governments

Further, it will be recognized that, directly or indirectly, all citizens that come within their scope, pay taxes to the Federal, Provincial and Municipal governments, but in different ways, on different bases, and in different relative amounts. Changing one basis of payment for a service to a more appropriate and equitable one, may involve a switch from one level of government as collector to another, but the taxpayers will be involved in both cases. Undoubtedly, switching financial responsibility for a service, say from the Municipal to the Provincial level, will relieve municipal governments, but not their local taxpayers, who thereafter will be required to pay taxes for this service on some other basis to the Provincial Government instead of to the municipal.

The distinction between Local and General Services

In the municipal field, all local taxes and levies (as distinguished from license fees, fines, etc.) are imposed to meet the costs of providing services or works and of municipal administration. These services may be separated into two general categories:

- (i) Local services and works that confer a peculiar or special benefit on the municipality or on the local community, or that directly and preponderantly benefit real property in the municipality, or people owning or occupying it; and
- (ii) General services, that are commonly services to persons and usually occur in the fields of health, welfare and public education. They are not provided for a single municipality alone, but throughout areas embracing many municipalities. These general services do not confer peculiar or special benefits on any particular municipality or municipalities, but are commonly beneficial and are provided throughout wide regions. Such general services are frequently provincial in scope and jurisdiction.

While the distinctions between services in the (i) and (ii) categories outlined above, apply in general, they cannot be drawn with absolute precision in all cases, as elements of each may be combined in some cases in different degrees.

Taxation for Local Services and Works, Based on Benefits Received

Local public works, including those classed as local improvements (sewer and water mains, street paving, sidewalks, etc.), obviously confer peculiar and special benefits on local real property. Many local improvements benefit specific properties in the vicinity, and accordingly are charged against them directly. Others are of greater extent than

required for the service of abutting properties only, and it is usual to charge the excess over frontage requirements for such works to properties in the larger area benefited on the basis of benefits received. Still others which are of wider benefit still, are charged to the municipality as a whole, and paid for by local general taxation (general municipal rate).

Further extending this principle, it will be recognized that in some instances, works constructed within a municipality may be of benefit to a wider area than that contained within the municipal boundaries. This is so in the case of trunk highways which pass through cities, towns, villages, etc. Trunk highways are usually integral parts of a provincial highway system, and are generally constructed and maintained as a provincial service. Where trunk highways pass through urban municipalities, in many cases provincial governments assume some financial responsibility for their construction and maintenance, but not in all cases in Manitoba. This appears to be an anomaly, as in common circumstances like this, a uniform practice should govern.

Local Services and Works Benefit Local Real Property

Purely local municipal services (local general services) as well as local public works, are included in category (i) previously defined. Such services as police and fire protection, traffic control, local sanitation, are referred to here. Directly or indirectly, all of these services benefit local real property specifically or generally, though some may not do so exclusively. Under such conditions, it is logical, equitable and has become the established custom, to distribute the costs of such local general services on the basis of their benefit to real property in general, and so the costs are proportioned among the local taxpayers according to the relative values of all real properties in the municipality as recorded in the municipal real property assessment roll.

From the foregoing brief discussion of purely local services and public works, the reason for the adoption of real property as the base for local taxation is logical.

General Services of Wider than Municipal Scope

General services of wider than municipal scope are included in category (ii) previously defined. They differ radically from local general services, and cannot properly be financed on the same basis. The following quotation may help to clarify the distinction:

".....almost all useful local expenditure is indirectly advantageous to the country at large. But a service may be called properly local when a preponderant share of the benefit can be directly traced to persons interested in the locality. On the other hand, universality and uniformity of administration is generally a mark of a national service, because such administration does not confer special benefit on special places. Again, the presumption is that a service is national when the State insists on its being carried out, and on a certain standard of efficiency being reached." *

* Final Report of Royal Commission on Local Taxation - England and Wales, 1901. In Canada "national" as used in this quotation, may mean either "Federal" or "Provincial", or a combination of both.

The "Onerous-Beneficial Doctrine"

This is an application of the onerous-beneficial doctrine # with respect to the local tax base, real property, which was propounded by Alfred Marshall in his "Principles of Economics," and its adoption recommended by the Royal Commission on Local Taxation, (England and Wales) in 1901, and has been applied to English rating (local taxation) ever since.

General Services are Services to Persons

General services in this category are rendered to persons and though local persons and communities benefit from them incidentally, these benefits are not peculiar or special to them, but are the same as those received by all the people in all the communities within the jurisdictions of such services. These services were established in the public interest because they were deemed essential for the general well-being of all the people. Most of these services are provincial in scope, though some exhibit national characteristics and the Federal Government assumes a measure of responsibility for some of them.* A mark of these general services is their obligatory or compulsory features, which, under specified conditions, require the people affected to comply with them. Directly or indirectly, people generally are affected by these general services.

The points to note particularly are:

- (x) That these general services are established by a higher level of government than the municipal, which in the interests of uniformity "insists on their being carried out, and on a certain standard of efficiency being reached."
- (y) That the benefit from such services to a municipal community, however extensive or limited, is incidental, and essentially of the same kind as to all other municipal communities within the jurisdiction.
- (z) That the owners of real property - the municipal tax base - do not benefit from general services more than people in general, or more than the owners of other interests or of property in other forms.

Taxation for General Services

This leads to the conclusion that the cost of such general services should be distributed by a tax on some appropriate basis levied over the whole area in which such services are provided.

The onerous-beneficial doctrine as applied to Canadian conditions, is referred to in the brief on "Municipal Finances and the Federal-Provincial Conference" which was approved by the Canadian Federation of Mayors and Municipalities in 1950.

* Federal participation is commonly through Provincial Governments.

Where, however, the nature of any general service is such that a measure of local administrative responsibility is desirable in the interests of efficiency by reason of local knowledge or experience, or in order that differences in local requirements may be appreciated and provided for, then some local financial responsibility should also be imposed on and assumed by the local authority. This need not be a large share of the cost, and should not be if the local sources of revenue provide an unsuitable base for financing such a service, but it should be large enough to make the burden of cost of the service felt locally, so that the interest of local citizens may be stimulated and a vigilance generated that will tend to promote economy in the administration of the local unit of the service.

A further inference is that, in such cases, effective local interest and watchfulness can only be stimulated and sustained if the measure of local financial responsibility is directly associated with the local unit of the general service. A local contribution to the Province, towards the over-all cost of a general service would not accomplish this end. Not only must the local taxpayers' pockets be touched, but they must also be in a position to make their views felt, and to get results from their constructive criticisms. Hence, the money they contribute locally, must go towards financing the local unit of the general service for which there is local administrative responsibility. This is democratic, and the need for preserving our democratic institutions is great.

In many cases, what means should be employed to equitably distribute the burden of cost of a public service or work will be indicated by regarding the benefits bestowed and who the recipients of such benefits are. These taken together may also indicate an appropriate tax base which will ensure equity in the distribution of the cost of a service where compulsion is a feature of it - such compulsion being deemed necessary for the protection or to promote the welfare of the public at large. Had all people provided or attended to these essentials for themselves and their families, there would have been no need to establish general services to compel them to do so, but as many did not do this, it was deemed essential in the public interest to establish such services. Hence, compulsion usually constitutes the over-riding reason for the establishment of such services, and direct benefits to immediate recipients are usually quite secondary in importance to the general benefit to the public at large. This is certain, that many directly affected by such services would have to dispense with them altogether if they had to pay for them themselves, as they could not afford to do so. For general services in this category, therefore, the general benefit to the public is the predominant benefit and must be given due weight in selecting an appropriate and equitable tax base to pay for such services. These things may be more easily grasped by considering a concrete case.

Illustration of General Service - Public Education

Take public education as an illustration. This is a general service established by the Provincial Government and made compulsory because it was deemed essential to the welfare of all the people. This compulsory service is carried on under the direction, and in some respects

the control, of the Provincial Department of Education. The public education system consists of units which are distributed throughout the settled portions of the Province. These units are administered by Boards of School Trustees and their officers, who have been given certain responsibilities in this connection by Provincial Statute. The direct beneficiaries of the public education system are the children of school age who are required to attend school, and with them must be associated their families. In addition to the benefits to the school children and their families, however, local communities, the Province and the whole country benefit from the school system.

Benefits from Public Education Widely Diffused

From the municipal point of view and that of the local community, it will be readily admitted that local benefit is derived from public schools actually located at strategic points within the community and the municipal area. But the same thing is true for all municipalities and local communities, as similar facilities are made available to all, and indeed must be, as education is compulsory. It may be said that the owners of residential real property - and it is from such property that the school population springs - benefit directly from the placing of schools within more or less easy reach of their premises. Though the distances from school facilities may vary in different localities, this is true of all real property used for residential purposes in settled areas of the Province, and no peculiar or special benefits are received by residential property owners. These owners, of course, derive the same general benefits from public education as all other citizens.

Business and industry benefit from the public school system also, as in school, children are taught and their minds developed so that when they reach the age of employment, they have already acquired some knowledge of fundamentals and essentials, which adds greatly to the ease of assimilating them into business and industry, and in their development for the work, adjustments and promotions that lie ahead. The benefits to business and industry are great, but the owners of business or industrial property do not derive any special or peculiar benefit, though they receive general benefits from public education in common with the owners of residential property, the owners of other kinds of property, (personal, etc.) and citizens in general.

The benefit of the education system to the professions is obvious, and needs no elaboration here.

The training of children in knowledge and understanding, in developing their mental powers, processes and efforts, etc., makes for better citizenship; and undoubtedly the kind of people we are, and our cultural attainments, are materially affected by our public education system. The common attitude of people towards each other in social, business and community life, towards law and order, towards our national and provincial institutions, the way in which people in general conduct themselves, the reduction of delinquency, the general level of intelligence and the productiveness of our community, all of these and many other desirable things are promoted and greatly enhanced by the requirement that all children shall pass through our public school system.

Immigration has played an important part in the development of this country, and the assimilation of those who come with their families from foreign countries to settle here, has been helped immeasurably by the public school system.

Though often taken for granted, the public school system is generally accepted and could ill be dispensed with. Many business and other positions open to young people call for certain school standing. Some Civil Service positions are only open to those who have passed through Grade XII or matriculated. A study of the want ads in any newspaper on any day will usually disclose many cases of business openings which require applicants to have passed Grade X or higher. The requirements of many positions in the civil service and in the Armed Services could not be met without previous preparation in public schools and gaining higher grade standing.

The foregoing outline of the benefits of public education, may be sufficient to show that this cannot be regarded as merely a personal service to individuals, or as a purely local service of benefit to local real property only, or of local benefit only. In its major aspects it is a national service, giving benefits to the people of the Province and of Canada as a whole, although under present statutes, public education is the responsibility of the respective Provincial Government.

How Public Education Should Be Paid For

These are the conditions, and in all fairness it is clear that the direct beneficiaries - the children of school age through their families - could not be expected to shoulder the whole cost of providing the public school system. Nor should it be regarded as a purely local service. For financing a personal service of widespread and general benefit such as public education, a fair method would be by some form of 'ability' tax levied throughout the jurisdiction of the service, which under present conditions is the whole Province. An "ability" tax basis would call on all citizens within the jurisdiction to pay for the public education system in proportion to their relative financial means and abilities. By this means, all who have financial ability would contribute, each according to his means; so that the citizen who has more would make a larger contribution and assist the citizen who has less, and the combined contributions of both would pay for the citizen who has no financial ability at all. By such means, the common education of the children would be paid for most equitably. *

* Where Federal-Provincial Tax Agreements are current, as in Manitoba, neither the Province, nor its municipalities, can levy "ability" taxes; but the Province receives an annual rent for leasing the exclusive right to levy income and other taxes to the Federal Government, which rent presumably could be used for purposes for which the Province might otherwise have levied income taxes had there been no tax agreement.

There is another aspect, however, that needs some consideration. There are advantages in delegating certain responsibilities for this provincial service to local bodies who are familiar with local areas, local people and their needs. Not only is this of advantage to the public education system itself, but it is also a democratic way of running it, which is of very great importance. No doubt this had much to do with the establishment of the school trustee board system in the first place, and it will be recognized that the continuance of a measure of local autonomy by school boards or other local bodies is essential. But administrative responsibility should be accompanied by financial responsibility, otherwise the local body will be a spending one only while local citizens are not called upon to contribute to the costs of the service by local taxation. This would tend to foster demands and more demands for elaborating and extending the service, whereas if some part of the cost has to be raised locally, local taxpayers are likely to be more careful about making demands which they will have to help pay for and which will touch their pockets.

Hence, though public education is a provincial service with some national aspects, the benefits of which accrue to the people of the Province and to the whole of Canada, some small share of the cost of the education system should be raised locally by local taxation. This contribution need not be large, but should be sufficient to ensure that the burden of cost of public education will be felt locally. The greater part of the cost, however, should be borne by an equitable tax levied throughout the jurisdiction of the service, that is to say, throughout the Province - preferably by an "ability" tax. *

Relationship between Municipalities and School Districts.

There is further difficulty in this connection from the point of view of municipal government. Municipal Councils on the one hand, and School Trustee Boards on the other, with their respective local responsibilities, are separate and distinct bodies, each of which within the framework of its statutory authority, runs its own affairs, makes its own decisions, pays its own bills, etc. Actually, they come together at only one point, through the statutory requirement that the municipal council shall levy a school tax to cover the requisitions of the Board of School Trustees, this levy being based on the local real property assessment. The Municipality is merely the agent of the School District in this case, as it turns over the money collected to the School Trustee Board.

On the surface, this may seem a harmless enough arrangement. It may even appear well conceived, as municipal councillors and school trustees are elected by the same groups of people, so there should be no conflict between the two bodies. As noted previously, however, it is a poor arrangement for any public body to be a spending body only - and that is what Boards of School Trustees are and there may be adverse effects on municipal financing also.

One may suppose that as municipalities had the machinery for levying local taxes already set up, it would seem only reasonable to require them to collect local levies for school purposes also, but after some

* See note marked * at foot of Appendix 9.

experience with this method, certain undesirable results have become apparent.

In the first place, the security for municipal bonded indebtedness is the same as for school bond issues. This may have a cramping effect on the reasonable needs of a municipality where capital expenditures for schools are high.

The Municipality has to levy for School board requisitions but has no control over their amounts. School levies are shown separately and included in municipal tax bills. Too often, however, local taxpayers do not discriminate between what portion of their bill is for municipal purposes and what portion for school purposes, so if the total tax bill seems excessive, the municipal council usually gets blamed for it. In any case, a council in discussing and adopting its budget, has to have regard to the amount of the overall tax bill, and if by reason of high school requisitions this would be excessive, the cutting down has to be done on the municipal items.

This has led to a great deal of dissatisfaction in municipal quarters and frequent requests have been made in past years that some measure of control be given to municipal councils over school matters or the right to review school estimates. Municipalities generally have made no progress in this direction, probably because the municipal councils and the school trustee boards are quite separate and distinct bodies. Quite recently, however, the problem has been tackled in Alberta in a different way, where an experiment is being tried in a limited way. This experiment consists of giving respective authorities of the Chairman and Secretary of the School Trustees to the Reeve and Secretary-Treasurer respectively, of the municipality, a further result of this being that school board affairs are handled by a committee of Council. A further effect is that when budgets are under discussion, the Education Committee of the Council has to submit and contend for its estimates in just the same way as other committees of Council - the Public Works Committee, the Health Committee, etc. So far this experiment has produced good results, though it has hardly been in effect long enough to have proved itself conclusively. It can be said, however, that there is no longer any doubt as to the right of the Council to scrutinize school estimates, and all controversies on that score have been eliminated, but it should be noted that this shift of responsibility does not change the basis of financing education.

Taxation for Public Education.

It was submitted elsewhere that the cost of public education may generally be most equitably distributed amongst the taxpayers by some form of "ability" tax. It will be recalled that in eight Provinces, no "ability" taxes may be levied, either by the Provinces themselves or by municipalities, by reason of tax agreements with the Federal Government. It will also be recalled, however, that these Provinces receive a considerable rent from the Federal Government in lieu of the right to levy income and some other taxes. From this it appears that if public education is to

- * Municipal and School District areas must be coincident for this experiment, which initially in Alberta was to be tried out in not more than four of its larger municipalities which are called "counties".

be mainly financed by "ability" taxes, either the monies required might be appropriated from the tax rents paid to the Provinces by the Federal Government, or the Federal Government might provide for public education in its own estimates. This latter is a matter that has been broached on several occasions, and might properly be the subject of discussion at any Federal-Provincial Conference that may be held. So far, however, no appreciable progress towards financing public education in either of the ways mentioned has been made.

One further suggestion may be inserted here. Public education is "big business" and costs a great deal of money in all parts of Canada. Would it not be desirable, particularly when any change in financing public education is made, to have the tax for this service "tagged", so that all taxpayers know just how much they are required to contribute for this service? There would also appear to be many advantages in levying specific taxes for costly services such as public education, rather than to finance them out of general or consolidated revenue.

Division of Costs where there is Joint Responsibility

The division of costs where there is joint responsibility for a general service by two levels of government (such as provincial and municipal or local) should also receive consideration. The desirability of so arranging the financing of such a service where a local government is involved, that the interest of local people will be stimulated, has already been pointed out, the main objective being to secure the interest of local taxpayers in the operation of the local unit of the general service so that they may also be concerned about economy in running it. It may not be so readily recognized, however, that it is equally desirable that the higher level of government jointly involved in financing the service, should be so placed that it also will be directly affected by and so be concerned about economy in operating the service. This objective can be attained in both cases by adopting a fixed percentage division of the costs between the two levels of government concerned. The general service - public education - is under immediate discussion, the two levels of government having joint financial responsibility for it being the Provincial Government and the School Trustee Boards. A fixed percentage division between these two levels of government might be a 60/40 or 70/30, etc. basis, these percentage pairs indicating the respective shares of the total cost of education in each School District for which the provincial government and the school trustee board would be responsible. Thus on a 60/40 basis, the Provincial Government would provide 60% of the cost and the School Trustees 40%. By this method, if economies are effected, the amounts paid by both governments are reduced, but with mounting costs, both are increased. From this it is apparent that since both levels of government are affected financially, both will be interested in seeing that the local unit of the public education service is operated with due regard for economy, and this should be the case in all school districts.

Fixed grants made by the province will not accomplish this desirable objective as the balance of cost must always be made up by the school district. On the other hand, if fixed mill rates for local school levies were introduced, this would not work either, as the balance of cost

would have to be paid by the Province. Nor would a common mill rate generally applied to all real property assessments in the Province reach this objective, as then the local contribution would be applied towards the total Provincial costs of education, and consequently the feeling of local responsibility and local interest in the financing of the local unit of the school system would be lost.* This latter method would be similar to a distribution of education costs based on the Provincial equalized assessment.

The adoption of the fixed percentage division of costs would probably involve the Province in checking School District budgets and expenditures more closely, and in drawing up a schedule of minimum standards of education and educational facilities to meet requirements in all parts of the Province. These standards would form the basis for the fixed percentage division of costs, and if any community wanted to exceed them, the additional costs involved would have to be borne locally.

Financing School Buildings and Equipment

School buildings and equipment are integral parts of the public education system and of the costs of public education. For some reason not apparent, these capital items are often segregated and treated differently from school operation costs so far as government grants are concerned.** There seems to be no sound reason for this distinction, and it is suggested that the costs of school buildings and equipment should be included for the fixed percentage division of education costs in the same way and at the same rates as school operating costs.

It should be recalled in this connection that public education is compulsory, and school facilities must be provided whether School Districts are financially able or not. This applies to public school costs generally. It will be appreciated that in many cases, the building of additional schools is required where there are increases in population, and that the demands on local public finances on all counts are heavier at such times, for not only have the requirements of school expansion to be met, but municipal capital expenditures are called for road grading and surfacing, sidewalks, sewer and water mains etc., in providing for the development of residential areas to take care of the increase in population as well as for the service of business and industrial expansion. While such capital expenditures are usually financed over a period of years, this is merely a means of deferring taxation, which has to be levied sooner or later and for greater sums than the initial capital expenditures.

* This, without reference to the present state and differences in level of local real property assessments, which alone would cause inequities, even if this basis were considered sound, which it is not.

** In British Columbia, the Province provides 50% of the total cost of new school buildings, in Alberta, the Province loans the whole cost to the School District which is repayable in annual instalments over a period of years, but if earlier instalments are paid on schedule, later instalments are written off. In approved cases in Manitoba, the Provincial School Lands Fund may be used to purchase School Debentures for buildings etc., but repayment in full to Province is required.

Deficiency grants to needy School Districts.

There might still be cases of school districts which would find it difficult or impossible to maintain the required standard of education facilities under the fixed percentage division of costs adopted due to local conditions and circumstances or to emergencies. As explained later, school districts in this category would not be confined to poorer or less developed communities, but might occur in any community, urban or rural. Depending on the merits in each case, these should receive deficiency grants in addition to the fixed percentage share of costs assumed by the Province, so that equal educational opportunity may be provided for all throughout the provincial jurisdiction. It will be recognized that to make deficiency grants to needy School Districts is a very different matter from attempting to make all school grants vary inversely with some index (arbitrary or otherwise) to the financial ability or capacity of each School District. This has been and is currently attempted by means of "balanced assessments" which are mainly dependent on the relative levels of "equalized" local real property assessments. As previously pointed out, real property is not a reliable index to financial "ability" either personally, locally or provincially. If, as it is contended herein, public education should be paid for mainly by some form of "ability" tax, then the method of determination and apportionment of Provincial grants for education by means of "balanced assessments" which are mainly based on real property values, is unsound and the resulting allocation of grants inequitable.

Local "ability" taxes discussed.

As mentioned previously, the most equitable method of financing public education is by some form of "ability" tax, which is a tax apportioned according to the financial means or "ability" of each taxpayer, but at present municipalities are obliged to meet the requisitions of school boards by school levies on local real property assessments. No "ability" tax base has been allocated to municipalities, nor does it appear likely that one ever will be. The local real property assessment is not a sound base for an "ability" tax. In the first place, it will not distribute the tax burden on taxpayers according to their respective financial abilities, and secondly, it will not include all those who should pay an "ability" tax. Nevertheless, the real property tax is the one municipalities have to employ in raising the local share of costs of public education and of other general services, and its inappropriateness for this purpose merely emphasizes the need for keeping down the share of the total costs to be raised locally as low as possible.

Some have thought that a solution of this problem might be found in allocating an "ability" tax base to local authorities (which, of course, cannot be done so long as Federal-Provincial Tax Agreements are in force) for the purpose of making levies locally for general services of wider than municipal scope. Apart from the difficulties and high costs involved in administering a local "ability" tax, this could not be an equitable arrangement, however, as inevitably the disparity in relative local financial resources and revenue-raising capacities of different local authorities are wide. Moreover, a uniform educational or other general service within practical limits is intended to be provided in all parts of the jurisdiction (the Province), and if this were done but the local unit of the service were paid for locally, the burden on some local areas would

be much greater than on others, as some would only be able to raise the costs involved with much more difficulty than others. Hence, the allocation of an ability base to local authorities would not result in equity in distributing the costs of general services, either as between local authorities, or taxpayers in different communities within the Province.

Conclusions on financing Public Education and other General Services.

It must not be assumed that the costs of education per pupil are higher in urban centres than they are in less densely populated areas. Not infrequently, the highest costs per capita occur in scattered communities and more remote rural areas.

What has been said with respect to financing public education also applies in the main to financing other general services for which there is a measure of local administrative responsibility.

The general conclusion is that a practical solution of the problem, and one that assures equity for all, lies in the Provincial Government absorbing the greater (fixed percentage) share of the costs of **general** services for which there is some local administrative responsibility, and making financial provision therefor by appropriate and equitable general taxes (preferably of the "ability" type) levied uniformly throughout the Province; thus leaving the smaller (fixed percentage) share of the cost of each local unit of such service to be financed by their respective local authorities on the local tax base—real property.

This further should be added here, that though real property is not a sound ability tax base, it is deemed better to employ it for levying the shares of the total costs of general services to be raised by local taxation - provided those shares are really relatively small - than to increase the number of tax bases presently allocated to municipalities by the addition of some form of an "ability" tax base, to the local use of which there are bound to be many valid objections, both technical and practical.

The method advocated for financing public education, and how it should be applied, have been described, and it has also been suggested that the same method - namely the fixed percentage division of costs between Province and local authority - should be employed in financing other general services of wider than municipal scope for which there is a measure of local responsibility. A few further observations should be made regarding these latter general services, and some other services and works, to indicate essential differences, and to show why financial assistance should be given to municipalities for them.

It will be readily recognized that while education is a uniform service embracing all children of school age, the demands for many welfare and health services are far from regular in time, place or extent, but are in fact sporadic. The occurrence of unemployment, epidemics, or even of serious medical cases, are not governed by time or expediency. This makes the fixed percentage division of costs between province and municipalities all the more appropriate and desirable, and points to the need for the local share being quite low, because the occurrence is unpredictable, the costs are often high and the local tax base is unsuitable for such purposes. This is the financial method employed in British Columbia where the Province

absorbs 80% of the total costs of these services.

This is not the method of financing welfare services in Manitoba, however. It is true that the Province absorbs the costs of some of these services altogether: Mother's Allowances, Old Age Pensions, Mental Hospitals and the like; but unemployment relief, the care of the destitute and indigent and child welfare are entirely or mainly left for the municipalities to finance. The Province did contribute towards the costs of unemployment relief of employables during the depression, but no assistance on that account has been given for years, beyond any amount included in the Provincial Grant for social services next mentioned. In recent years, the Province has divided a fixed sum between all Manitoba municipalities annually to relieve their costs of certain specified social and health services. Under the circumstances the grants received by municipalities vary from year to year, and so far have amounted to less than 20% of their total costs for these services. Other Provinces share in the costs of social aid to a much greater extent than Manitoba - Ontario and Saskatchewan absorb 50%, Alberta 60%, British Columbia 80%.

The Province of Manitoba gives substantial assistance to municipalities or municipal areas in the case of Health Units, towards the cost of which local areas are asked to contribute one-third, while the Province absorbs the balance. The Federal and Provincial Governments acting jointly, also make substantial contributions towards the costs of constructing new hospitals in approved cases.

Municipalities in Manitoba are required by statute to pay per diem rates to hospitals for indigent patients. The Province also contributes on a per diem basis, but the rates paid by municipalities are much higher than those paid by the Province.

As previously pointed out, the local tax base - real property, is not suitable for financing general services of this kind, and the same method as that recommended for education - namely, the fixed percentage division of costs between the Province and municipalities - is recommended for them for the many reasons given.

Highways.

Trunk Highways also need some consideration. The need for assumption of responsibility by the Province for those parts of the Provincial Trunk Highway System which run through cities, towns and villages, was referred to earlier in this Appendix (page 5). Many methods and rates of financial assistance etc. are in use in different Provinces. It is suggested that a uniform method of dealing with these cases should be established, the aim being for the Province to assume the costs of construction and maintenance of these portions (widths and lengths) of trunk highways contained within urban municipalities, which are required as links in the provincial trunk highway system. Bridges as well as paving etc are referred to in this connection.

Effect of proposed change on real property taxation.

From what has been said, it will be apparent that the reason for recommending that general services be mainly financed by levies on some tax base other than real property, is because real property does not distribute the cost equitably between the taxpayers or include all who should contribute towards the financial burden of such services, or in other words, because real property is an inappropriate, unsatisfactory and inequitable base to use for this purpose. While the object is not to relieve real property owners as such, yet if this recommendation were implemented, it would have this effect, though the full effect of the

change on each property owner as an individual citizen might differ considerably, depending on the character of his holdings, financial means and resources, and the extent to which any of these would be taxable for general services under the changed conditions. While some taxpayers would have to pay more and some less, there is no doubt that municipal corporations would receive definite financial relief to the full extent of the reduction in the tax burden on real property.

Disparity in municipal financial capacities.

It is not to be expected, however, that the change recommended would produce equality in the financial abilities or capacities of all municipalities, because these depend on several other things. The financial resources of the municipality, coupled with their use and development, the number, Character, abilities and aims of its citizens as a group, the size (territorial), location and kind of a municipality - all of these vary considerably for different municipalities, and consequently, their respective real property assessments and their financial abilities and capacities as municipal corporations vary likewise. Even if municipalities had no responsibilities other than for purely local service and works, the local tax burden would fall more heavily on some than on others. This might be the result of differences in local resources, and could be due to the costs of essential services and works alone, but in some cases it might be attributable, in part at least, to the predominant viewpoint of its citizens with respect to, and their desires and choices for, municipal services and works beyond those deemed absolutely essential.

Municipal boundaries do not always include an area that constitutes a financially self contained municipality. These boundaries were probably determined in the first place before the resources were known, or the effectiveness of the area as a municipal unit could be foreseen with any close accuracy, though subsequent developments bring these to light. It is quite apparent in rural regions that agricultural land in some municipalities is much superior to that in others, which coupled with sound (or other) farming practices will account for considerable differences in the financial capacities of rural municipalities which contain such different qualities of agricultural lands within their boundaries.

Similarly, there are differences in urban municipalities, which, however, are usually more dependent on the number, character, ability, occupations and enterprise of their citizens, the character and extent of industrial and business developments also being important factors. There are many kinds * as well as sizes of urban municipalities, and both of these characteristics have a bearing on their relative municipal financial capacities. It is not so much a matter of the number of square miles or acres included, as the character of the area, its resources, its strategic location and its development that determine its potentialities and productive capacity. While the financial interest of municipal corporations is largely confined to the value of real property all of the things just mentioned affect real property values, and so have

* The types of urban municipalities vary considerably, some of the more common being: market town, manufacturing town or city, transportation centre, company or single-industry town, government town or city, suburban town or municipality, city metropolis, etc., etc. Also two or three of these types may be represented in a single municipality.

a bearing on what municipal services and works can be afforded. Then again, there are physical conditions that determine whether essential municipal services and works can be provided economically or otherwise. Differences in soil, terrain and other physical features and conditions may have a marked effect on the demands for and the cost involved in providing municipal services, and in constructing public works. More and costlier bridges are required in some municipalities than others. Topography and sub-surface conditions make sewer and water mains more costly to construct in some places than others. Obviously, municipal requirements as well as the difficulties to be overcome, and the financial capacity to provide them, will vary considerably in different cases.

Distinction between "desirable" and "essential" services and works.

The desires and choices of citizens for municipal services and works also have to be taken into consideration. What and how many of such services and works are actually needs or necessities, and which of them are merely desirable - the results of inclination rather than necessity - and how many in each of these groups will be required or demanded, will depend to an extent on the size (territorial), character, location, type, population, and development of the municipality considered as well as on the views and demands of local taxpayers. Some communities desire and are willing to have and to pay for more local services and works than others, and where this is a matter of choice, (as distinguished from necessity) citizens have to decide what they will ask for, recognizing that the costs of these things will be distributed and paid for by local taxpayers directly or indirectly on the basis of benefits received. Public works are charged directly to property owners according to the estimated benefits to be received, and the costs of local services, as well as works, deemed to be of general benefit to the municipality at large, are levied against all the local taxpayers on the basis of the real property assessment.

Municipal financial responsibility and capacity.

When appraising the financial abilities of different municipalities, it is necessary to consider (a) their responsibilities, which vary with their size and character, and with governing conditions and circumstances; and (b) their means of carrying out those responsibilities. Many variable factors are involved, and the financial standing, or relative capacities of different municipalities are seldom disclosed by making comparisons of any one factor, such as the totals of real property assessments or of local tax levies, or mill rates, without taking into account other pertinent factors and data. Many services and works which could only be regarded as luxuries in rural municipalities or villages, might be in the "desirable" class for small towns, but be essentials or necessities for large towns and cities, because conditions in these different kinds of municipalities vary so widely. Measures for protecting persons and property, safeguarding health and meeting sanitary necessities, providing access to and from property and for the movement and circulation of all kinds of traffic, law enforcement, etc. etc., increase with growth in and greater densities of population, and stages are reached where the provision of each and all of them pass from mere desirability to municipal necessity. Further, as the population and its density increase, the accompanying congestion increases the difficulties and the costs of providing these services, and of providing and constructing public works. Moreover, more congested conditions also create needs for new services and works, and for extensions to existing ones, and so municipal budgets grow and increase.

Failure to realize these realities, which is quite widespread, may be attributable to attaching too much significance to the services that are indispensable in smaller municipalities with less concentrated populations, and assuming that because any services beyond these would be non-essential or luxuries for smaller municipalities, they must also be so for larger municipalities with more concentrated populations, and for large urban municipalities - a line of reasoning that can only lead to wrong conclusions. For the nature and extent of services and works that are essential, are bound to vary in different sizes and kinds of municipalities, and even in different kinds of municipalities having the same population.

It follows, therefore, that all relevant aspects, factors and data need careful consideration before sound conclusions can be reached regarding the financial capacities or positions of municipalities. In general, the demands for essential services and works increase with the size and density of the population, and municipal costs, both relative and actual, increase accordingly.

Demands on Urban Municipalities.

This runs counter to a notion, which is quite erroneous yet seems to have wide acceptance, that larger urban municipalities, having concentrated populations and large total real property assessments and tax revenues, must be better off financially and better able to provide and finance the services and works they need, than municipalities having smaller, more dispersed population, or than rural municipalities. This assumption is often quite contrary to the facts, as careful analysis would disclose. Speaking of municipal corporations in general, rural municipalities in better farming areas are usually in a preferred position with respect to municipal finance, while large urban centres - cities with large populations - encounter high taxation and financial difficulty constantly, and increasingly as their populations grow.

The general situation has been well summed up by Mr. D. C. Corbett * in these words:

"The problem would be much simpler than it is if municipal expenditures went up at a steady, gradual rate, corresponding to the growth of the municipality. But experience has shown that this is not the case. Municipal expenditures tend to go up more than proportionately to the growth of the municipality. The per capita expenditures of municipal governments are greater in large cities than in small.

"This does not reflect any lavish extravagance on the part of big city authorities. On the contrary, it reflects simple and indisputable economic facts. The inhabitants of big places need more community services; without them big city life is impossible. In a village each house can

* On page 23 of "Urban Growth & Municipal Finance", An Analysis and Study by D. C. Corbett. M.A., Lecturer in Public Administration, McGill University, prepared in 1952 for the Canadian Federation of Mayors and Municipalities.

"get along with its own well and septic tank. There is no need for a police force, and a voluntary fire brigade with a minimum of equipment will meet local needs. As the town grows, street lighting is necessary, and a police force and fire department are needed to protect property. Public water supply and sewers are essential if epidemics are to be avoided. Private burning or dumping of garbage is no longer safe. As the town grows into a city, public transportation is essential. The larger town is the natural site for more complex and specialized educational facilities, such as high schools and technical schools. As buildings grow denser and taller, the traffic on streets becomes heavier, and roads must be built and maintained at higher standards, while water mains and sewers must be enlarged, reservoirs extended and sewage disposal plants provided.

"Some services, such as water supply and local transit facilities were once provided by competing private enterprises, but efficiency required a single set of city-wide installations and municipal governments were called in to take over the private companies. Education, once a family, private, or church concern, was made compulsory and public by statute, and local authorities were created to administer it. Increasing knowledge of disease and hygiene brought with it a demand for public inspection of shops and eating places, while the development of fire insurance brought a demand for building inspection in the interests of lower rates. In these and many other ways, municipal governments became the providers of the services essential for urban living.

'As towns and cities become bigger, the required services become more complex and varied. The crowded conditions of urban living create a demand for public parks, beaches, playgrounds and civic centers, and the ultimate chaos and strangulation of urban life is only prevented by urban planning, orderly sub-division and zoning. All these fall on the shoulders of municipal governments."

Other aspects of the municipal financial position.

Many seem to take for granted that the existence of numerous business and industrial enterprises with their production, payrolls and profits, and the general level of prosperity and income of its citizens, are reliable indices to the financial standing and capacity of the municipality itself. Most emphatically this is not the case. Municipalities are non-profit corporations whose function it is to provide municipal administration, services and works for their citizens at cost. They are organized so as to neither make nor lose money in their administration, and they have no means of sharing pro rata in the prosperity or incomes of their citizens *; or in the profits or business successes of

* On the subject of average incomes in different communities and occupation groups, the Federal Government publication "Taxation Statistics 1951", being Income Tax Statistics for the Fiscal Year 1949, is enlightening. (See pages 9, 10, 119. etc.)

private enterprises within their boundaries, (except to the limited extent that these are reflected in local real property values), because they have no authority to levy taxes on the basis of incomes or profits - nor does it seem at all likely that they will be given such authority.

Under present methods of financing services, commercial and industrial properties relieve other kinds of real property in a Municipality or School District to the extent of local taxes paid thereon for education and other general services, but in this connection, the previous contention should be recalled that the current method of financing these general services mainly by local taxes is unsound and inequitable. By this method; business and industry may contribute too much or too little towards the cost of these general services - who can say, when their contribution is predicated on the value of the real property they occupy (not on their business or profits) plus that portion of the Provincial taxes they pay which is represented by grants for education and other general services? Even so, it should not be taken for granted that under present methods, residential property is lightly taxed in urban municipalities containing large populations, because they have so much commercial and industrial property. A recent sample survey in metropolitan Winnipeg showed that in spite of a large percentage of Winnipeg properties being commercial and industrial, local taxes on residential properties of the same market value (not assessment) averaged appreciably higher in Winnipeg than in adjoining suburban municipalities - this being true for the school tax alone, as well as for the general municipal tax. In making these comparisons, local improvement levies were excluded in all cases.

While the level of taxation may be affected, the state of local tax collections in a municipality is more likely to be affected by general conditions in the country at large, than by whether the average normal incomes of its citizens and business enterprises are high or low. Local taxes in municipalities of all kinds must be paid or property forfeited; and it will be recalled that municipalities of every kind and size encountered grave financial difficulty through uncollected taxes during the depression of the 1930's, though during that period, unemployment relief was a much greater contributor to local financial difficulties in urban than in rural municipalities.

More prosperous or aggressive communities may demand more services and works in the "desirable", as distinguished from the "essential", category, but this will have no effect on the number or extent of essential services and works that must be provided to maintain safe and healthy conditions in the municipality, and it is the cost of providing essential services, combined with fixed charges, that determine the minimum for the municipal budget.

It should be pointed out that, while at present public education bears most heavily of all general services on municipal finances, and may be expected to become still more burdensome so long as present methods of financing prevail, other general services in the fields of health and welfare are on the increase, and might well become equally burdensome to municipalities.

Real Property Assessments.

In larger centres of population increases in real property values and assessments, though augmented by additional construction, seldom keep pace with added costs occasioned by extensions and additions to essential municipal services and works required by increases in population. Real Property Assessments are of great importance as they are the basis for the distribution of local taxes between taxpayers, and are used for other purposes, but often they are not maintained and revised as they should be, and some receive no expert attention for years. Where assessments are involved in intermunicipal adjustments or taxation, this tends to penalize those municipalities that incur the expense of maintaining their assessments in an up-to-date condition, particularly in times of rising construction costs and prices, as obviously for all purposes of equalization the basis should be a common one. This prompts the observation that in Manitoba, there are two bases for the Provincial Equalized Assessment, as farm building values are excluded, but all other building values are included - and farm buildings were only excluded recently. Whatever may be the justification for exempting farm buildings from local taxation, it can hardly apply to Provincial taxation of all municipalities, for which there should be one common basis. The present method adds to the burden of urban municipalities and indirectly to the burden of all real property other than farm property.

Recapitulation.

The foregoing discussion and observations which apply to municipalities in general, may be summarized as follows:-

1. Municipal government, its powers and responsibilities. Whatever authority and autonomy municipalities have is derived from the Provincial Government. (Pages 1 to 4)
2. Only the Provincial Government can revise and change municipal powers and responsibilities. Provincial and municipal governments may be made jointly responsible for services. The Federal Government may also participate in some cases, through the Provincial Government. Liaison is always between municipalities and the Provincial, not Federal, Government. (Pages 1 and 6)
3. Services and works for which municipalities have financial responsibility in whole or part at the present time, may be divided into two general categories:
 - (i) Those that confer peculiar or special benefit on the local community, or that directly and preponderantly benefit local real property.
 - (ii) General services of wider than municipal scope, that do not confer peculiar and special benefits on any particular municipality or its local community, or on local real property, but are provided to all who come under their provisions, throughout their respective jurisdictions. These are commonly services to persons, and usually occur in the fields of health, welfare and public education. (Page 4)
4. The real property tax is the main source of local revenue, and should be found generally adequate for municipalities to provide a reasonable standard of local works and services indicated in 3 (i) (Pages 4 & 5)
5. General services should be wholly or mainly financed by some appropriate and equitable general tax, preferably some form of "ability" tax, levied commonly throughout the jurisdiction of such services. Only the Provincial*(or Federal) Government is in a position to do this. Public Education as an illustration (Pages 5 to 10)
6. The real property tax is inappropriate for raising the greater parts of the costs of general services described in 3 (ii) as real property is not an "ability" tax base, and the real property tax does not include all who should pay, or distribute the burden of cost of such services equitably between taxpayers. (Page 5)
7. Where there is no local administrative responsibility for a general service, no part of its cost should be borne by local

* See footnote on Appendix 9.

taxation, but the whole should be financed by the senior government which established and administers it. (Pages 2 & 3)

8. Where general services are administered locally in whole or part, a share of the cost of the local units of such services should be met by local taxation, such share being small and of sufficient size only to make the burden of cost felt locally. (This envisages joint financial responsibility for these services). (Page 7)
9. Citizens that pay local taxes, also pay general taxes levied by Federal and Provincial Governments. Hence where (5) and (8) are involved, local citizens would contribute towards the costs of general services locally administered through both local and general taxation. (Page 4)
10. Municipal Councils and School Trustee Boards are separate and distinct bodies, yet current methods of financing public education bear heavily on Municipal Councils and often hamper local administration and services, because a shortage of funds for municipal and school purposes combined, usually means that the municipality goes without, not the School District. To overcome this, Alberta is trying the experiment of vesting the Mayor or Reeve of the Municipality and its Secretary-Treasurer with the respective duties of the Chairman of the School Trustee Board and its Secretary-Treasurer - this for the time being, in not more than four large municipalities (counties) where municipal and school district boundaries coincide. (Page 10)
11. Where there is joint responsibility for a general service by two levels of government (provincial and municipal or local), the method of dividing the costs should preferably be such that both levels of government will be directly affected financially by whether the general service is run economically or not. This is not the case where fixed grants are made on the one hand, or where mill rates are fixed on the other, as in both cases, whatever the remaining balance may be, it is paid by the other party. This condition is fulfilled, however, where the division of costs is on a fixed percentage basis (60/40, 70/30, etc.), between the two levels of government concerned, as when this method is employed, whether costs go up or down, both are affected accordingly and proportionately. (Pages 12 & 13)
12. The fixed percentage division of costs of general services between two levels of government concerned (usually the Province and Municipalities) would probably involve the higher level in keeping in closer financial touch and control, as well as in setting up standards of service which should form the maximum for the division of costs. Any extensions beyond the standard adopted would have to be authorized by the local authority, and paid for by local levies on real property. (Page 13)

Costs of school buildings and equipment should be divided on same basis as school operating costs. (Page 13)

Needy municipalities might require further assistance than the fixed division of costs would provide, and this could be done by the Province by way of deficiency grants. It is suggested that these be considered and determined on their merits in each case, rather than by some formula. (Page 14)

13. The general service most burdensome to local taxation is public education. While this should be mainly financed by some form of "ability" tax, the greater part of school requisitions are being met by levies on the local real property assessment, which is not a sound "ability" tax base, nor has any "ability" base been allocated to municipalities. Owing to disparities in the financial capacities of different municipalities and localities, equity to taxpayers in general would not result if an "ability" tax base were allocated to municipalities for the purpose of mainly financing the costs of local units of education and of other general services. To ensure an equitable distribution of the costs, they should be mainly financed by an appropriate general tax levied uniformly throughout the jurisdictions in which such general services are provided, the balance - a small part of the cost of the local unit of the service - being raised by local taxation. (Page 15)
14. Hence the greater percentage of the cost of general services for which there is a measure of local responsibility, should be financed by the higher level of government which has appropriate tax bases for the purpose at its disposal, and the lesser percentage of the cost of running the local unit of the general service in each case, should be financed by the local authority by means of levies based on the local real property assessment. (Page 15)
15. Local autonomy is an indispensable feature of our democratic form of government, and the fixed percentage division of costs of general services for which there is local responsibility, does not impair local autonomy. (Pages 10 & 26)
16. There are many kinds or types of municipalities and their requirements differ considerably. The capacities of municipalities to finance services and works vary, and the costs of providing them vary with the circumstances. This applies to rural and urban municipalities alike. Many factors are involved, and in making comparisons of municipal capacities or abilities, all factors should be investigated and considered. To take one or two factors and leave the rest out of consideration, is likely to lead to wrong conclusions. (Pages 17-19)
17. Municipal financial demands and problems generally increase as populations grow. A clear distinction should be drawn between "essential" services and works (necessities) and those that are merely desirable. The demands for "essential" services increase as communities grow and population densities increase. Large total real property assessments and tax levies do not necessarily denote a high financial standing and position for the municipal corporation, particularly in the case of larger urban municipalities, where the demands for "essential" services and works are extremely high and increase as their populations increase, while at the same time their tax rates rise and may do so disproportionately. (Pages 19-22)

Conclusion.

The outline and discussion in this Appendix were prepared to accompany and to serve as a background for the submission of the Council of the City of Winnipeg on financial matters to the Provincial-Municipal Committee.

Time has shown that the present municipal financial problems will not correct themselves, but steadily grow worse, as the employment of unsound and burdensome bases for financing some services are at the root of the trouble. Nor are municipalities in a position to apply remedies themselves; that can only be done by the Provincial Government.

The appointment of the Provincial-Municipal Committee betokens an appreciation of the need for a general review of all services provided singly or jointly by the Province and/or Municipalities, with a view to reallocating responsibility for them - both administrative and financial. It is reasonable to anticipate that municipalities would benefit by such a review, and that they would be relieved of heavy financial burdens by such a reallocation. It is to be hoped also that in any new deal, financial responsibility for services would be imposed on municipalities only when they have adequate and equitable means of meeting those responsibilities. It will be recognized as of paramount importance that the means employed in financing each service should be equitable for both taxpayer and municipality.

To be satisfactory, the principles inherent in any remedies that may be adopted should have general application to all municipalities. However, a special plea is embodied in this Appendix for recognition of the fact that municipalities are of many different kinds whose essential requirements (necessities) vary considerably. An appreciation of this should offset any tendency to assume that municipalities with more services and works are necessarily more wealthy than others, or extravagant. In spite of differences in character and needs, and of disparities in financial capacities, it is deemed feasible for municipalities generally to administer and finance their own purely local affairs and to provide an appropriate standard of services and works provided they are relieved of most of the financial burden of other services and works which are not purely local. This presupposes reasonably competent administration, due regard for economy, and the tempering of services to means. Even so, there may be needy municipalities (or school districts) which would require grants or assistance from time to time to enable them to carry on, and these would not be confined to any particular size or type of municipality, as the adverse positions justifying such grants would be due to local conditions and circumstances or to emergencies. There are, and always will be, disparities in the financial capacities of municipalities, some of which might be reduced if the main objective in determining (or altering) municipal boundaries were to define and produce units which could be operated as financially self-contained municipalities.

It is believed that, if implemented, the suggestions outlined in some detail on the foregoing pages, would place municipalities on a firm financial foundation, and at the same time retain their local autonomy unimpaired - an important consideration in these days of

challenge to democratic institutions. It may not be expedient, or even possible, to make all changes necessary to rectify so complex a situation at once, or at one time; but the desirability of establishing objectives now is obvious, and of determining a course of action directed towards the realization of the whole of an appropriate comprehensive scheme of betterment. If such objectives were established, individual features could be implemented as soon as circumstances permitted, until finally the whole of the remedial scheme was in force and operative.

In submitting this Appendix, its content is commended to the earnest consideration of the Council of the City of Winnipeg. It is hoped that this material will be helpful to the Council in its deliberations on its submission to the Provincial-Municipal Committee, and also that it may be of assistance in reaching sound conclusions on the important municipal problems now under consideration.

A handwritten signature in dark ink, appearing to read 'W. E. Hobbs', with a stylized, flowing script.

W. E. HOBBS

Winnipeg, Manitoba,
25 July 1952.

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